attention to a serious and probably unintentional inequity in most of the bills which have been introduced to carry out this idea.

These bills typically rebate to the State 1 percent or 5 percent of the Federal income tax collected within that State. The inequity arises from the fact that the amount of Federal taxes collected in any particular State is largely a geographical or business practice coincidence and is to a considerable extent wholly unrelated to the amount of taxes paid by the people of the State in question. For example, in a State such as Utah, even the personal income withheld by a number of our large employers with out-of-State headquarters is remitted to the Collector of Internal Revenue in States other than Utah where the income was earned and where the payroll deductions were made. Practically all of the Federal excise taxes such as those on new cars, appliances, machines, and so forth, are remitted by the manufacturer in the State of the parent manufacturer, even though the amount of the tax is expressly paid by the final consumer in Utah. These are but obvious examples of the irrelevance of the amount of Federal tax collections within a State as a measure of the Federal taxes paid by the people of that State.

It would therefore be manifestly unfair to use the amount of Federal tax collections within the respective States as the base for distributing Federal grants. As an example, for the fiscal year of 1958 the Internal Revenue Bureau reported Federal tax collections in Utah amounting to $200,022,000 whereas a fair estimate of the actual taxes paid by the people of Utah for the same year would be $278,300,000.

These figures were carefully estimated by the Utah Foundation, and Mr. Henry R. Pearson, executive director of the Utah Foundation and his staff deserve to be commended for bringing to light these significant discrepancies which show that Utahans pay almost 40 percent more in Federal taxes than is attributed to the State through collections.

I am placing in the RECORD the method used by the Utah Foundation to compute Utah's share of Federal taxes which further elaborates reasons for the disparity between collections and the actual taxes paid by the people of Utah.

SENATE

THURSDAY, JUNE 25, 1959

The Senate met at 9:30 o'clock a.m.

Rev. Albert Joseph McCartney, emeritus minister, National Presbyterian Church, Washington, D.C., offered the following prayer:

Almighty God, our gracious and Heavenly Father, it is written "Early in the morning our prayers shall rise to Thee."

O Thou who hast given us eyes to see and hearts to love this world so fair, give us a faith to find out Thee and see Thee everywhere. In simple, childlike trust we look to Thee at the beginning of our legislative day for that meed of wisdom which cometh down from above and is ever profitable to direct. Conscious of our need we humbly ask Thy guiding spirit in our deliberations throughout the day. Enlighten our minds with knowledge, fill our hearts with love, stimulate our souls with courage, anoint our lips with charity that we may bring all our words into obedience to Thy spirit. Guide our feet in the way of peace. These mercies we ask in the name of Him whom we delight to call the Prince of Peace, upon whose shoulders our governance must rest, and may the God of Peace keep your hearts and minds in Christ Jesus. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, June 24, 1959, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries.

REPORT ON TRADE AGREEMENTS PROGRAM—MESSAGE FROM THE PRESIDENT (S. DOC. NO. 31)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Finance and ordered to be printed:

To the Congress of the United States:

I hereby transmit the third annual report on the operation of the trade agreements program. This report is submitted to the Congress pursuant to section 350(e)(1) of the Tariff Act of 1930 as amended.

Through the trade agreements program the United States plays a sound role in fostering the healthy and mutually beneficial international trade so necessary to the economic well-being of the free world and the promotion of higher standards of living in all nations, including the United States.

Although total world trade declined somewhat from 1957, several developments in 1958 hold great promise for the future. The treaty establishing the European Economic Community entered into effect. The currencies of most Western European countries were made convertible for nonresidents, a move which should facilitate early and substantial progress in the further elimination of quantitative trade restrictions. And at home, the 4-year extension of the trade agreements legislation enabled the United States to begin preparations for reciprocal tariff negotiations among the countries participating in the General Agreement on Tariffs and Trade.

In the coming months and years there will be many complex problems connected with the emergence of the European Common Market and with possible developments toward regional economic integration in other areas of the world as well. In addition, we shall continue to face the problems of the less-developed countries and the Communist attempts at economic penetration throughout the free world. Such problems emphasize anew the compelling need for wise policies in the field of trade. For U.S. leadership in these matters the trade agreements program will remain an indispensable instrument.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *June 25, 1959.*

EXECUTIVE MESSAGE REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of Col. Howard A. Morris, Corps of Engineers, to be a member and secretary of the California Debris Commission, which was referred to the Committee on Public Works.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed the bill (S. 1368) to amend sections 503 and 504 of the Federal Aviation Act of 1958 to facilitate financing of new jet and turboprop aircraft, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 3. An act to establish rules of interpretation governing questions of the effect of acts of Congress on State laws;

H.R. 6054. An act to continue until the close of June 30, 1960, the suspension of duties on metal scrap, and for other purposes; and

H.R. 7567. An act to extend for a period of 2 years the privilege of free importation of gifts from members of the Armed Forces of the United States on duty abroad.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred as indicated:

H.R. 3. An act to establish rules of interpretation governing questions of the effect of acts of Congress on State laws; to the Committee on the Judiciary.

H.R. 6054. An act to continue until the close of June 30, 1960, the suspension of duties on metal scrap, and for other purposes; and

H.R. 7567. An act to extend for a period of 2 years the privilege of free importation of gifts from members of the Armed Forces of the United States on duty abroad; to the Committee on Finance.

LIMITATION OF DEBATE DURING MORNING HOUR

Mr. JOHNSON of Texas. Mr. President, under the rule, there will be the usual morning hour; and I ask unanimous consent that statements in connection therewith be limited to 3 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

THE SANDERS CREEK WATER STORAGE PROGRAM—RESOLUTION OF THE CITY OF PARIS, TEX.

Mr. JOHNSON of Texas. Mr. President, the Army Corps of Engineers is currently studying the feasibility of a water supply storage program on Sanders Creek near Paris, Tex. It is my strong hope that those parts of the country which lack and need our most fundamental resource—water—will gain relief.

Mr. President, so that Senators may have a better idea of the importance of this and similar programs to the people of my part of the country, I ask unanimous consent that a resolution concerning the Sanders Creek water storage program by the city of Paris, Tex., and delivered to me by the distinguished mayor of Paris, Mr. Robert Glass, appear in the RECORD at this point in my remarks.

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

RESOLUTION 871

Whereas under authority of a resolution adopted May 21, 1957, by the Committee on Public Works, U.S. House of Representatives, the Corps of Engineers, U.S. Army, has under consideration a reservoir on Sanders Creek for flood control, water supply, and related purposes; and

Whereas under provisions of the Water Supply Act of 1958 (title III of Public Law 500–85) water supply storage for municipal or industrial uses may be included in any reservoir project planned by the Corps of Engineers, provided that before start of construction State or local interests shall agree to pay the cost of such storage; and

Whereas the city of Paris, Tex., considers the proposed reservoir on Sanders Creek as a desirable source of water supply and has furnished information to the Corps of Engineers regarding the anticipated future needs; and

Whereas the Corps of Engineers has requested opinions on whether or not the city of Paris would be prepared to enter into contract with the United States for water supply storage in said proposed reservoir at the appropriate time; and

Whereas it is understood that the securing of proper water rights from the State of Texas is the responsibility of local interests; and

Whereas the city of Paris earnestly desires that the Corps of Engineers, U.S. Army, continue the survey investigations and prepare, for submission to the Congress, a report presenting the findings and recommendations with respect to said reservoir: Now, therefore, be it

Resolved by the city of Paris, Tex., That the city of Paris hereby requests the Corps of Engineers, U.S. Army, to include water supply storage in the proposed Sanders Creek Reservoir sufficient to yield 55 million gallons daily; and

That the city of Paris recognizes the responsibility of repayment to the United States, all costs allocated to water supply in event the reservoir is constructed by the Federal Government; and

That the city of Paris will, at such times as required by the Corps of Engineers, U.S. Army, agree to pay the costs allocated to water supply in said reservoir; and

That the city of Paris will, at the appropriate time, acquire the necessary water rights from the State of Texas.

Passed and adopted this 16th day of June A.D. 1959.

ROBERT GLASS, *Mayor.*

Attest:

H. C. KENNEMER, *City Clerk.*

BEN F. MAORING, *City Attorney.*

RESOLUTION OF BOARD OF DIRECTORS, CONTROLLERS INSTITUTE OF AMERICA

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the CONGRESSIONAL RECORD a resolution adopted by the board of directors, Controllers Institute of America, relating to the disasters of continued inflation.

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

RESOLUTION OF BOARD OF DIRECTORS, CONTROLLERS INSTITUTE OF AMERICA, ADOPTED MAY 23, 1959

Whereas the Controllers Institute of America is deeply concerned with the harmful effects of continuing inflationary forces in our national economy; and

Whereas Federal Government expenditures not matched by revenues impair both Government and private credit and serve further to debase the value of the dollar; and

Whereas balanced Federal budgets at a prudent level of expenditure will strengthen the economy and protect those who must rely on the soundness of the monetary unit; and

Whereas controllers, as proponents of sound fiscal policy in private enterprise, should lead in expressing their belief in sound governmental fiscal policies: Now, therefore, be it

Resolved, That the board of directors of Controllers Institute of America go on record as recommending:

1. That the Government of the United States adhere to the policy of balanced budgets in fiscal year 1960, and in future years of normal economic activity, with reductions of debt in years of general prosperity; and

2. That the members of Controllers Institute of America individually communicate to their representatives in Congress their belief in the importance of adherence to such policy; and be it further

Resolved, That the president of Controllers Institute of America be directed to send a copy of this resolution to the President of the United States, the Vice President, the Speaker of the House of Representatives, the chairmen of the Senate Finance and the House Ways and Means Committees, and the Director of the Bureau of the Budget.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BYRD of Virginia, from the Committee on Finance, without amendment:

H.R. 7567. An act to extend for a period of 2 years the privilege of free importation of gifts from members of the Armed Forces of the United States on duty abroad (Rept. No. 431); and

H.R. 7749. An act to increase the amount of obligations issued under the Second Liberty Bond Act which may be outstanding at any one time (Rept. No. 432).

By Mr. MAGNUSON, from the Committee on Interstate and Foreign Commerce, without amendment:

S. 1958. A bill to amend title 46, United States Code, section 601, to clarify types of arrestment prohibited with respect to wages of U.S. seamen (Rept. No. 433).

EXECUTIVE REPORTS OF A COMMITTEE

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. BUSH, from the Committee on Armed Services:

James Henry Wakelin, Jr., of New Jersey, to be Assistant Secretary of the Navy.

By Mrs. SMITH, from the Committee on Armed Services:

Maj. Gen. Truman Hempel Landon, Maj. Gen. Emery Scott Wetzell, Maj. Gen. Mark Edward Bradley, Jr., Maj. Gen. Walter Campbell Sweeney, Jr., Maj. Gen. Archie Jordon Old, Jr., and Maj. Gen. John Paul McConnell, Regular Air Force, to be assigned to positions of importance and responsibility designated by the President, in the rank of lieutenant general.

By Mr. THURMOND, from the Committee on Armed Services:

Brig. Gen. Wendell W. Bowman, and sundry other officers, for temporary appointment in the U.S. Air Force; and

Richard L. Buxton, Ronald J. Doyle, and Gilford G. Rowland, Jr., midshipmen (Naval Academy), to be ensigns in the Navy.

BILLS INTRODUCED

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

By Mr. MANSFIELD:

S. 2273. A bill to amend the act entitled "An act to incorporate St. Ann's Infant Asylum, in the District of Columbia," approved March 3, 1863, as amended; to the Committee on the District of Columbia.

(See the remarks of Mr. MANSFIELD when he introduced the above bill, which appear under a separate heading.)

By Mr. McCARTHY:

S. 2274. A bill to amend section 170(b)(1) of the Internal Revenue Code of 1954 with respect to certain charitable contributions to libraries; to the Committee on Finance.

(See the remarks of Mr. McCARTHY when he introduced the above bill, which appear under a separate heading.)

By Mr. HRUSKA:

S. 2275. A bill for the relief of Dr. Emin Derman; to the Committee on the Judiciary.

By Mr. WILLIAMS of New Jersey:

S. 2276. A bill for the relief of Thomas Gargano; and

S. 2277. A bill for the relief of the Geo. D. Emery Co.; to the Committee on the Judiciary.

By Mr. MORTON:

S. 2278. A bill to amend section 101(c) of the Agricultural Act of 1949 and the act of July 28, 1945, to stabilize and protect the level of support for tobacco; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. MORTON when he introduced the above bill, which appear under a separate heading.)

RALPH FEFFER & SONS—REFERENCE OF BILL TO COURT OF CLAIMS

Mr. GOLDWATER submitted the following resolution (S. Res. 140), which was referred to the Committee on the Judiciary:

Resolved, That the bill (S. 2243) entitled "A bill for the relief of Ralph Feffer & Sons," now pending in the Senate, together with all accompanying papers, is hereby referred to the Court of Claims; and the court shall proceed with the same in accordance with the provisions of sections 1492 and 2509 of title 28 of the United States Code and report

to the Senate, at the earliest practicable date, giving such findings of fact and conclusions thereon as shall be sufficient to inform the Congress of the nature and character of the demand as a claim, legal or equitable, against the United States and the amount, if any, legally or equitably due from the United States to the claimant.

AMENDMENT OF ACT TO INCORPORATE ST. ANN'S INFANT ASYLUM IN THE DISTRICT OF COLUMBIA

Mr. MANSFIELD. Mr. President, I have sent to the desk a bill which provides for certain amendments to a special act of Congress under which St. Ann's Infant Asylum was established here in the District of Columbia in 1863. The provisions of this bill are simply to change the name of the institution from "St. Ann's Infant Asylum" to "St. Ann's Infant and Maternity Home"; and to strike out the limitation in the existing law that it be located in the District of Columbia and to remove the limitation on the value of property that can be held.

I am sure all of us here in the Senate are familiar with the fine work being done by St. Ann's home in the field of adoption. The home has taken in thousands of homeless children and has found them suitable homes and has given them the guidance and help in their early lives which they were being denied. At the present time the asylum also takes some maternity cases.

St. Ann's is located at 2200 California Street in Northwest Washington. The present building has served its purpose for many years but now conditions are extremely crowded and it has become desirable to move the institution into the suburbs. I understand that at the present time a location is being considered just over the District line in Maryland.

A building program which will offer greatly expanded facilities is planned and the cost estimates exceed $1 million.

In view of the present conditions and the humanitarian record made by St. Ann's, I know that the Congress will give early and favorable consideration to this bill and its companion introduced in the House by the distinguished majority leader, Mr. MCCORMACK.

Mr. President, I ask that the text of this bill, as well as the language of the act of incorporation, approved March 3, 1863, and the act amending the same in 1942, be printed at the conclusion of my remarks.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). The bill will be received and appropriately referred; and, without objection, the bill, together with the original act of March 3, 1863, and the amendment of October 3, 1942, will be printed in the RECORD.

The bill (S. 2273) to amend the act entitled "An act to incorporate St. Ann's Infant Asylum, in the District of Columbia," approved March 3, 1863, as amended, introduced by Mr. MANSFIELD, was received, read twice by its title, referred to the Committee on the District of Columbia, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That the first section of the act entitled "An act to incorporate St. Ann's Infant Asylum, in the District of Columbia," approved March 3, 1863 (12 Stat. 798), as amended by the act of October 3, 1942 (56 Stat. 768), is further amended (1) by striking out "St. Ann's Infant Asylum" and inserting in lieu thereof "St. Ann's Infant and Maternity Home"; (2) by striking out "in the city of Washington, in the District of Columbia,"; and (3) by striking out "not exceeding in value at any one time $1,000,000,".

The act of March 3, 1863, and the amendment of 1942, presented by Mr. MANSFIELD, are as follows:

AN ACT TO INCORPORATE ST. ANN'S INFANT ASYLUM, IN THE DISTRICT OF COLUMBIA (BY CONGRESS, FEBRUARY 11, 1863)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Theresa A. Costello, Lucy Gwynn, Margaret Bowden, Sarah M. Carroll, Catherine Ryan, Louisa Fisher, and Catherine Shea, and their successors, be, and they are hereby, made a body politic and corporate forever, by the name of St. Ann's Infant Asylum, for the purpose of maintaining in the city of Washington, in the District of Columbia, an institution for the maintenance and support of foundlings and infant orphan, and half orphan children, and also to provide for deserving indigent and unprotected females during their confinement in childbirth; and by that name may sue and be sued, prosecute and defend; may have and use a common seal, and the same alter and renew at pleasure; may adopt and establish rules, regulations, and bylaws not repugnant to the Constitution and laws of the United States, for properly conducting the affairs of said corporation; may take, receive, purchase, and hold estate, real, personal and mixed, not exceeding in value at any one time one hundred thousand dollars; and may manage and dispose of the same, and apply the same, or the proceeds of the sales, thereof to the uses and purposes of said corporation, according to the rules and regulations which now are or may hereafter at any time be established.

SEC. 2. *And be it further enacted,* That said corporation shall be entitled to retain under their care, charge, and restraint, and subject to the rules and discipline of said corporation, all foundlings and infant children committed to their keeping by authority of parents, guardians, or persons having legal authority, as fully and completely, to all intents and purposes, as if they were regularly indentured and bound apprentices to said institution, until said foundlings and infants shall be, if males, twenty-one years old, and if females, eighteen years old, or any shorter period that may be agreed upon; said children to be taught to read, and write, and the rules of arithmetic, and shall be instructed in some useful art or profession. And said corporation shall have power to bind them out for a time not to exceed said ages of twenty-one and eighteen years, respectively, as apprentices to learn any trade or business, or to learn to be useful in housekeeping, or may, under terms (proper in the view of the said corporation) and to be by them stipulated, place them for adoption, or as inmates with any families of persons, said corporation not being restricted in the exercise of their powers of binding or placing out to the District of Columbia; and all such acts shall be in writing, signed by the president of said corporation, and sealed with their corporate seal, and signed and sealed by the persons taking said children as apprentices or as aforesaid, and acknowledged by said parties before a justice of the peace in and for said District, and within one month thereafter recorded in the office of the Register of Wills for said District.

SEC. 3. *And be it further enacted,* That Congress may at any time hereafter, alter, amend, or repeal this act.

Passed the House of Representatives February 11, 1863.

Attest:

EM. ETHERIDGE,
Clerk.

AN ACT TO AMEND THE ACT ENTITLED "AN ACT TO INCORPORATE ST. ANN'S INFANT ASYLUM, IN THE DISTRICT OF COLUMBIA," APPROVED MARCH 3, 1863 (12 STAT. 798)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the act entitled "An act to incorporate St. Ann's Infant Asylum, in the District of Columbia," approved March 3, 1863 (12 Stat. 798), be, and the same is hereby, amended to read as follows:

"That Theresa A. Costello, Lucy Gwynn, Margaret Bowden, Sarah M. Carroll, Catherine Ryan, Louisa Fisher, and Catherine Shea, and their successors, be, and they are hereby, made a body politic and incorporate forever, by the name of 'St. Ann's Infant Asylum,' for the purpose of establishing and maintaining in the city of Washington, in the District of Columbia, an institution for the maintenance and support of foundlings and infant orphan and half-orphan children, and also to provide for deserving indigent and unprotected females during their confinement in childbirth; and by that name may sue and be sued, prosecute and defend; may have and use a common seal, and the same alter and renew at pleasure; may adopt and establish rules, regulations, and bylaws not repugnant to the Constitution and laws of the United States, for properly conducting the affairs of said corporation; may take, receive, purchase, and hold estate, real, personal, and mixed, not exceeding in value at any one time $1 million, and may manage and dispose of the same, and apply the same, or the proceeds of the sales thereof, to the uses and purposes of said corporation, according to the rules and regulations which now are or may hereafter at any time be established."

Approved, October 3, 1942.

AMENDMENT OF INTERNAL REVENUE CODE, RELATING TO CERTAIN CHARITABLE CONTRIBUTIONS TO LIBRARIES

Mr. MCCARTHY. Mr. President, it is appropriate this week to call attention to the place of libraries in our traditional educational structure, because the American Library Association is holding its 78th annual conference here in Washington. Members of the Senate will, I know, be interested in following the reports of the meetings and in learning more about the needs and contributions of the libraries of our Nation, considering the great contribution they have made to the enlightenment and progress of the Nation.

I am today introducing a bill which would include public libraries in the special category of institutions for tax purposes. Section 170(b)(1)(A) of the Internal Revenue Code of 1954 permits individuals, but not corporations, to make a deduction of an additional 10 percent of gross adjusted income for gifts to churches, educational institutions, and hospitals. My bill would include public libraries in this special group. This 10

percent, as Senators know, is in addition to the standard 20-percent maximum deduction from the adjusted gross income which the taxpayer is allowed for general contributions.

Churches, educational institutions, and hospitals have been placed in a preferred category because of the important contribution they make to the general welfare, and because they have high costs and relatively low endowments to supplement income.

We are all agreed on the need of education if we are to maintain representative government and measure up to our responsibilities around the world. We need greater education in social and political affairs and in technology. We need sources of information and contact with the great ideas of the past and present. The right to know and the freedom to know require a concern for maintaining and improving the means to know. In the American tradition libraries have been an essential part of our educational and cultural institutions for a free society.

There are three reasons why the bill which I have introduced is needed. First, college, university, and school libraries are already included in the law. Public libraries, that is those supported in whole or in part by tax funds, are not now eligible. It seems proper to bring this form of the library system into line with the others.

Second. Libraries are educational institutions in the broad definition of the word. Public libraries are in the spirit of a group already included in the preferred list, although they are excluded by the technical language. Many States place the development of public libraries under the State department of education. This is true of my own State of Minnesota and is the case also in New York, Pennsylvania, Georgia, Maryland, Tennessee, Massachusetts, and Colorado. It is important to note that schools and school libraries are usually closed during the summer months; in general, the public library serves as the principal source of educational material for youth during one-fourth of the year. And libraries are often the most important place for continued education of adults.

Third. Many public libraries already rely upon private contributions and gifts to maintain their present services. Since local and State governments are so overburdened, there is not much hope that local tax funds can be secured to enable libraries to expand their services and facilities or especially to undertake adult education projects.

The need for adult education projects is especially great, in view of the increased number of people who are retiring and the increase in the span of life in the United States. It is vitally necessary that this public service be extended and improved.

The passage of my bill would stimulate local library boards to carry on community campaigns for voluntary contributions to meet the expanded needs of public libraries.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2274) to amend section 170(b)(1) of the Internal Revenue Code of 1954 with respect to certain charitable contributions to libraries, introduced by Mr. MCCARTHY, was received, read twice by its title, and referred to the Committee on Finance.

PROPOSED WORLD DEVELOPMENT CORPORATION ACT—CHANGE OF REFERENCE

Mr. FULBRIGHT. Mr. President, the Committee on Foreign Relations will shortly act upon the bill (S. 1928) to provide for the participation of the United States in the Inter-American Development Bank.

This bill, which was recommended by the President, will serve to supplement the activities of other international financial institutions operating throughout the world.

In this connection, I have noted that the bill (S. 1743) to promote an increasing flow of private capital from the United States into economically sound enterprises in other areas of the world, to enlist an ever-increasing number of individual private investors in this undertaking, to promote world peace through the expansion of mutual economic interests, to reduce gradually the need for U.S. foreign public investments and grants, to establish a World Development Corporation, and for other related purposes was introduced on April 20 by the Senator from New York [Mr. JAVITS], and was referred to the Committee on Banking and Currency.

It seems proper to me that S. 1743, providing for the establishment of a World Development Corporation, should be re-referred to the Committee on Foreign Relations, which, in accordance with the provisions of the Legislative Reorganization Act, has jurisdiction over the safeguarding of American business interests abroad, international financial and monetary organizations, and foreign loans.

The chairman of the Committee on Banking and Currency, the junior Senator from Virginia [Mr. ROBERTSON] has informed me that he would not object if I should ask that S. 1743 be re-referred to the Committee on Foreign Relations. I have also been informed that the sponsors of S. 1743, Senators JAVITS, COOPER, and MURRAY, approve this re-referral. Therefore, Mr. President, I ask unanimous consent that the Committee on Banking and Currency be discharged from further consideration of S. 1743 and that the bill be re-referred to the Committee on Foreign Relations.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Arkansas? The Chair hears none, and it is so ordered.

Mr. JAVITS. Mr. President, reserving the right to object—and I shall not object—I have discussed this subject with the chairmen of both committees, and I am satisfied that this change of reference should be made.

I hope very much that within this session the distinguished Senator from Arkansas will be able to afford us a hearing on the bill before a subcommittee or whatever part of the Foreign Relations Committee may seem convenient to the Senator from Arkansas. I have every reason to believe that he will try to accommodate us in that regard.

Mr. FULBRIGHT. We certainly shall. Up to this time we have been completely absorbed in other problems.

Mr. JAVITS. Let me say, too, that I think the Senator from Arkansas and other members of the committee are impressed with the need for participation by the private economy in our foreign policy efforts. I think there has been a great lack of such participation in the foreign policy of the United States. Therefore I am glad that we shall have the whole problem under one tent, so to speak, and can look forward to working with the distinguished Senator from Arkansas in the effort to obtain some constructive result from the proposed legislation.

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

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

By Mr. KEATING:

Statement prepared by him entitled "June Is Dairy Month in New York State."

NOTICE OF HEARINGS ON PROPOSED AGREEMENTS FOR COOPERATION ON USES OF ATOMIC ENERGY BY JOINT COMMITTEE ON ATOMIC ENERGY

Mr. PASTORE. Mr. President, open public hearings will be held July 1 and 2, 1959, on seven proposed agreements for cooperation on uses of atomic energy for mutual defense purposes, before the Subcommittee on Agreements for Cooperation of the Joint Committee on Atomic Energy.

Persons desiring to testify concerning the proposed agreements for cooperation for mutual defense purposes presently before Congress will be given an opportunity to be heard at that time.

The proposed agreements, which involve the exchange of atomic energy information and material for military purposes, are with the Governments of the United Kingdom, France, Canada, Federal Republic of Germany, the Kingdom of the Netherlands, Turkey, and Greece.

Persons desiring to testify should notify the staff of the Joint Committee on Atomic Energy by June 29 to permit the scheduling of witnesses.

To inform the public and other Members of the Congress as to the details of the proposed agreements, I presented the texts of the agreements for the CONGRESSIONAL RECORD. The British and French agreements are in the CONGRESSIONAL RECORD of May 26, 1959. The Greek agreement is in the CONGRESSIONAL RECORD of June 17, 1959, and the others are in the CONGRESSIONAL RECORD of June 9, 1959.

NOTICE OF HEARING ON NOMINATION OF HAROLD K. WOOD TO BE U.S. DISTRICT JUDGE FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that a public hearing has been scheduled for 10:30 a.m., Thursday, July 2, 1959, in room 2300, New Senate Office Building, on the nomination of Harold K. Wood, of Pennsylvania, to be U.S. district judge, for the eastern district of Pennsylvania, vice William H. Kirkpatrick, retired.

At the indicated time and place all persons interested in the above nomination may make such representations as may be pertinent. The subcommittee consists of the Senator from South Carolina [Mr. JOHNSTON], the Senator from Nebraska [Mr. HRUSKA], and myself, as chairman.

NOTICE OF HEARINGS ON THE NORTH AMERICAN REGIONAL BROADCASTING AGREEMENT AND THE MEXICAN BROADCASTING AGREEMENT

Mr. FULBRIGHT. Mr. President, on behalf of the Senator from Oregon [Mr. MORSE], chairman of a subcommittee of the Foreign Relations Committee appointed to consider the North American Regional Broadcasting Agreement and the Mexican Broadcasting Agreement, I desire to announce that public hearings will be held on these agreements on Thursday, July 9, at 10 a.m. in room 4221, New Senate Office Building. The other members of the subcommittee are Mr. LAUSCHE, Mr. CHURCH, Mr. AIKEN, and Mr. CARLSON.

The North American Regional Broadcasting Agreement has been before the Senate since 1951 and the Mexican Broadcasting Agreement since 1957.

All parties interested in presenting testimony on the broadcasting agreement are urged to make arrangements for their appearance with the clerk of the Committee on Foreign Relations, as soon as possible.

NOTICE OF HEARINGS ON S. 1711, FOOD FOR PEACE BILL, BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, I would like to inform the Senate that on Tuesday, July 7, and Wednesday, July 8, the Senate Foreign Relations Committee will hold hearings on S. 1711, the food-for-peace bill.

This bill was introduced on April 16 by Senator HUMPHREY and 15 other Senators. Its purpose is to "promote the foreign policy of the United States and help to build essential world conditions of peace, by the more effective use of U.S. agricultural commodities for the relief of human hunger, and for promoting economic and social development in less developed countries."

I make this announcement today so that those who are interested in knowing of the hearings and being heard on this bill will have an opportunity to notify the committee.

NOTICE OF HEARINGS RELATING TO DUE PROCESS OF LAW BY SUBCOMMITTEE ON CONSTITUTIONAL RIGHTS OF COMMITTEE ON JUDICIARY

Mr. HENNINGS. Mr. President, as chairman of the Senate Judiciary Subcommittee on Constitutional Rights, I wish to announce that public hearings will be conducted by the subcommittee on methods of providing "due process of law" in hearing procedures in Federal loyalty security programs, particularly the industrial personnel security review program; and on the use today of the Attorney General's list of proscribed organizations.

The hearings begin at 10:30 a.m., Thursday, July 2, 1959, in room 457, Old Senate Office Building, Washington, D.C.

The scheduled witnesses are: Ralph S. Brown, Jr., professor of law at Yale Law School, and author of the recently published book, "Loyalty and Security," and numerous articles on the subject; and Joseph L. Rauh, Jr., Washington, D.C., attorney, former law clerk to Supreme Court Justices Cardozo and Frankfurter, and legal counsel for Charles Allen Taylor in the current Supreme Court case.

In November 1955, the subcommittee conducted extensive hearings covering these subjects; the printed record of those hearings is entitled "Security and Constitutional Rights." A few copies are still available in the subcommittee office.

HIGHWAY AND TAX PROGRAMS

Mr. DIRKSEN. Mr. President, I ask unanimous consent to have printed in the RECORD a release issued by the White House with respect to the highway program and the tax program, on which no action has been taken. This release was accompanied by a series of telegrams from the State highway commissioners including what progress or lack of progress will result with regard to the interstate highway program.

There being no objection, the release and other information were ordered to be printed in the RECORD, as follows:

STATEMENT BY THE PRESIDENT

I have consistently requested the Congress to maintain the pay-as-you-go principle which was embodied in the Highway Act of 1956. With this in mind in January I recommended a temporary increase of 1½ cents in the gas tax to provide revenues to meet anticipated deficits beginning in fiscal year 1960.

I am deeply concerned that no action has yet been taken on this proposal. As matters now stand, no apportionment of interstate funds can be made to the States in July or August of this year for fiscal year 1961, and only a small apportionment next year for fiscal 1962. The only serious alternatives now being considered by the Congress—waiving the Byrd pay-as-you-go amendment or diversion of other taxes—would solve nothing. They would either increase the size of the highway fund deficit by further postponing the pay-as-you-go principle, or reduce the general revenues available for other essential programs. Either of these alternatives would be unacceptable to me.

There is attached hereto a report from the several State highway commissioners. They have been queried as to the effect of no new apportionments of money in July or August of 1959, which is the present likelihood. As this report indicates, the Federal Highway Administrator has been informed by the several State highway departments that 10 States will have to cease issuing any new contracts for the Interstate System this summer, and that 15 additional States plus the District of Columbia will be forced to suspend contract letting by about the end of this year. An additional 11 States will have run out of interstate funds for new work by July 1960.

This is a critical situation in our national roadbuilding program, and one which should give great concern to every motorist. We are on the verge of a stalemate in the orderly development of our vital interstate road network.

THE UNDER SECRETARY OF COMMERCE,
Washington, D.C., June 23, 1959.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: In accordance with your request I am forwarding to you a report on the Interstate System program by Mr. B. D. Tallamy, Administrator of the Federal highway program.

This report includes a review of the probable future Interstate System progress under the present financing provisions together with an analysis of the effect of the suspension of apportionments for 1961 and 1962.

Telegrams from State highway commissioners outlining the impact of present financing on their respective programs are attached to this report.

Respectfully yours,

FREDERICK H. MUELLER,
The Under Secretary.

REPORT ON THE INTERSTATE SYSTEM PROGRAM, JUNE 23, 1959

(By B. D. Tallamy, Federal Highway Administrator)

It is becoming increasingly urgent that we reach a sound and early solution to the problem of continuing the interstate highway program on schedule and without interruption.

Within a few weeks an apportionment of interstate funds should be made to the States for the fiscal year 1961. It is now past the middle of June and, as matters stand, there will be no apportionment for fiscal 1961 and only a small one—not exceeding one-fifth of the authorized amount—for fiscal 1962.

Briefly, unless Congress acts quickly to provide additional financing, the fine construction pace we have established in building our National System of Interstate and Defense Highways will dwindle to a mere trickle of new contracts.

The Federal Aid Highway Acts of 1956 and 1958 provided authorizations totaling $25.625 billion for the fiscal years 1957 through 1969 for improving the Interstate System.

The 1956 legislation set in motion an accelerated program to be financed on a self-liquidating basis. It required the interstate and other Federal-aid highway programs to be financed entirely from trust fund revenues. On June 1 there was a balance of $476 million in the fund.

Under section 209(g) of the Highway Revenue Act of 1956, the full amounts authorized for the Interstate System cannot be apportioned if the estimated revenues in the highway trust fund will not be sufficient to meet obligations as they fall due. In 1958 Congress suspended the limitations of this

section for the 1959 and 1960 fiscal year apportionments and at the same time provided increased authorizations for the fiscal years 1959, 1960, and 1961.

No additional revenues were made available, however, to cover the increased expenditures resulting from the 1958 act. As a consequence, under existing legislation there will be a deficit in the highway trust fund in the fiscal year 1960. Also, there can be no apportionment of interstate funds for the fiscal year 1961, and the maximum interstate apportionment for the fiscal year 1962 would be $500 million, instead of the authorized $2.2 billion.

As a result, during the next 3 months, 10 States will be unable to award further Federal-aid interstate contracts. These are: California, Connecticut, Florida, Illinois, Michigan, New Hampshire, New York, Ohio, Oregon, and Vermont.

By about the end of this year, the interstate program will have reached a dead end, as far as any new work is concerned, in 16 more States. These are: Iowa, Kentucky, Louisiana, Maine, Massachusetts, Missouri, New Mexico, North Dakota, Rhode Island, South Carolina, Tennessee, Utah, Washington, West Virginia, Wyoming, and the District of Columbia.

Projecting a little further, our records show that 11 more States will have run out of interstate funds for new work by July 1960. These are: Alabama, Georgia, Indiana, Kansas, Maryland, Mississippi, Nevada, New Jersey, Pennsylvania, South Dakota, and Wisconsin.

In brief, all new interstate work will have been cut off in 36 States and the District of Columbia in about a year unless additional financing is provided very soon. The problem is even graver than these facts would indicate. Actually, a 2-year interruption or sharp curtailment in apportionments would have the practical result of interrupting the advancement of the interstate program by about 3 years. During the period since the accelerated construction pace was made possible by the Federal Aid Highway Act of 1956, the States have built up the necessary momentum required to complete the program on schedule. They have done this in the face of serious obstacles such as shortages of State funds, a scarcity of engineers, and the many other perplexing problems inherent in a program of such size.

We are now tooled up for a steady continuation of the authorized construction program. The States have built up their highway departments, made provisions for matching Federal funds, and streamlined laws and procedures to expedite such necessary matters as acquisition of right-of-way. Public hearings have been held on proposed routes and commitments have been made to property owners along the right-of-way. Families have been moved and commercial and industrial establishments have been relocated in anticipation of early construction.

Substantial Federal and State funds are invested in right-of-way, engineering, and construction in various stages. Thousands of miles of highways will be partially completed yet cannot be finished until further apportionments are made.

Appendix No. 1 indicates the rapid decline in contracts which will take place during fiscal year 1960–61.

Furthermore, based on current estimates of revenue and expenditures, the highway trust fund will incur a deficit this fall. Unless the trust fund is supplemented in fiscal year 1960 by additional revenue either from the motor fuel tax increase as the President has suggested or by an appropriation from the general fund—which the President has rejected—it will be necessary to withhold several hundred million dollars due the States late this calendar year, until funds are available. Such action would cause grave financial situations in the States.

In keeping with the Executive budget recommendation, draft legislation has been submitted to the Congress providing for a temporary increase of 1½ cents a gallon in the Federal motor fuel tax to be levied during the fiscal years 1960 through 1964. Enactment of this legislation would avoid a deficit in the highway trust fund, consequently eliminating the need for an appropriation from the general fund. It would likewise permit apportionments of interstate funds for 1961 and 1962 in accordance with the amounts already authorized by Congress.

The seriousness of this situation is further illustrated by appendix 1 which graphically illustrates the drastic cut in apportionments which would have to be made under existing law and the similar cut in contracts as compared to the result contemplated in the budget submission which included the 1½-cent motor fuel tax increase.

Appendix 2 is a tabulation showing the effect upon individual States of not being able to make the apportionment this summer and of a maximum apportionment next year of $500 million.

Also attached are copies of telegrams which have been received from the various State highway departments which individually describe the situation which would be created in their States under those conditions.

APPENDIX 2

Reduction in interstate apportionments for fiscal years 1961 and 1962 required under existing legislation

[In millions]

State	Fiscal year 1961		Fiscal year 1962		Required reduction in authorized apportionment ($4,200,000,000 [1])
	Authorization ($2,500,000,000 [1])	Possible apportionment ($0)	Authorization ($2,200,000,000 [1])	Maximum possible apportionment ($500,000,000 [1])	
Alabama	$48.8	$0	$43.0	$9.8	$82.0
Arizona	33.8	0	29.8	6.8	56.8
Arkansas	24.6	0	21.6	4.9	41.3
California	251.5	0	221.3	50.3	422.5
Colorado	19.2	0	16.9	3.8	32.3
Connecticut	30.2	0	26.6	6.0	50.8
Delaware	8.7	0	7.7	1.7	14.7
Florida	64.1	0	56.4	12.8	107.7
Georgia	59.7	0	52.6	11.9	100.4
Idaho	17.1	0	15.0	3.4	28.7
Illinois	126.9	0	111.7	25.4	213.2
Indiana	71.4	0	62.8	14.3	119.9
Iowa	23.5	0	20.7	4.7	39.5
Kansas	22.2	0	19.5	4.4	37.3
Kentucky	43.5	0	38.3	8.7	73.1
Louisiana	65.4	0	57.5	13.1	109.8
Maine	12.7	0	11.2	2.5	21.4
Maryland	55.8	0	49.1	11.2	93.7
Massachusetts	68.9	0	60.7	13.8	115.8
Michigan	97.3	0	85.6	19.5	163.4
Minnesota	46.7	0	41.1	9.3	78.5
Mississippi	27.2	0	23.9	5.4	45.7
Missouri	70.6	0	62.1	14.1	118.6
Montana	28.1	0	24.8	5.6	47.3
Nebraska	15.3	0	13.4	3.1	25.6
Nevada	12.9	0	11.4	2.6	21.7
New Hampshire	13.6	0	12.0	2.7	22.9
New Jersey	80.1	0	70.5	16.0	134.6
New Mexico	29.7	0	26.1	5.9	49.9
New York	122.6	0	107.9	24.5	206.0
North Carolina	13.4	0	11.8	2.7	22.5
North Dakota	11.0	0	9.6	2.2	18.4
Ohio	161.2	0	141.9	32.3	270.8
Oklahoma	22.5	0	19.8	4.5	37.8
Oregon	42.9	0	37.7	8.6	72.0
Pennsylvania	100.9	0	88.8	20.2	169.5
Rhode Island	11.5	0	10.1	2.3	19.3
South Carolina	20.4	0	17.9	4.1	34.2
South Dakota	10.5	0	9.2	2.1	17.6
Tennessee	73.4	0	64.6	14.7	123.3
Texas	111.8	0	98.4	22.4	187.8
Utah	23.1	0	20.4	4.6	38.9
Vermont	23.3	0	20.5	4.7	39.1
Virginia	104.9	0	92.3	21.0	176.2
Washington	44.8	0	39.4	9.0	75.2
West Virginia	31.0	0	27.3	6.2	52.1
Wisconsin	26.1	0	22.9	5.2	43.8
Wyoming	25.7	0	22.6	5.1	43.2
District of Columbia	24.5	0	21.6	4.9	41.2

[1] Less 1 percent for administration.

TEN STATES AFFECTED DURING NEXT 3 MONTHS

SACRAMENTO, CALIF., *June 3, 1959.*

B. D. TALLAMY,
Bureau of Public Roads:

Reurphone today last interstate project advertised May 15; bids June 10, 1959. Any further advertising discontinued as of May 15. We are now holding several large interstate projects totaling in excess of $50 million pending decision 1961 apportionment.

G. T. MCCOY,
State Highway Engineer, California Division of Highways.

HARTFORD, CONN., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administration:

Connecticut will have obligated in July 1959 substantially all of the Federal-aid interstate apportionments presently available, including the 1960 apportionment.

Unless the interstate apportionments authorized under the Federal Aid Highway Act of 1956 are made the program in Connecticut would be seriously affected.

Public hearings have been held in many communities, and this department has set forth schedules of proposed construction which have been made known to and accepted by the local public officials. Their plans have been correlated with our proposals, and commitments have been made to owners of property located on the proposed right-of-way in conformance with the proposed schedule.

Curtailment of Federal apportionments will necessitate a revision of our proposed construction program, making it impossible

for the department to fulfill its commitments to property owners and local officials regarding the timetable established for construction of these interstate projects. Such a revision of the program will place this department in a very unfavorable position on future programs proposed at the public hearings.

N. E. ARGRAVES,
State Highway Commissioner.

TALLAHASSEE, FLA., *June 4, 1959.*

Hon. BERTRAM D. TALLAMY,
Federal Highway Administrator:

Re your inquiry regarding approximate date Florida will stop awarding interstate construction contracts if there is no 1961 apportionment, we wish to advise that September 1959 would be the approximate date.

WILBUR E. JONES,
Administrator of Interstate Program.

SPRINGFIELD, ILL., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Bureau of Public Roads:

Assuming there will be no 1961 interstate apportionment and maximum of only $500 million for 1962, Illinois will have to stop awarding interestate construction contracts on approximately September 15, 1959.

R. R. BARTELSMEYER,
Chief Highway Engineer,
Illinois Division of Highways.

LANSING, MICH., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, Department of Commerce, Washington, D.C.:

Re telegram June 3, 1959, Michigan will be forced to stop awarding interstate contracts September 1, 1959, if interstate 1961 funds are not apportioned difficulty will be encountered resuming construction after a year lapse in funds, due to resulting loss of experienced construction personnel.

JOHN C. MACKIE,
Michigan State Highway Commissioner.

CONCORD, N.H.,
June 4, 1959.

B. D. TALLAMY,
Federal Highway Administrator, Department of Commerce, Bureau of Public Roads:

In re your telegram June 3 with exception of one $3 million project to be contracted in September 1959 all interstate program for 1960 will be under contract by end of July 1959.

JOHN O. MORTON,
Commissioner.

ALBANY, N.Y., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads:

Re your June 3 teletype if no 1961 interstate apportionment is forthcoming by July 1, 1959, we estimate that the award of further interstate construction contracts will terminate on or about September 1, 1959 in New York State.

J. B. MCMORRAN,
Superintendent of Public Works.

COLUMBUS, OHIO, *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads:

Under hypothetical situation posed in your telegram of June 3, 1959, Ohio would have to stop immediately awarding of interstate construction contracts. This is true because Ohio has already indulged in advanced financing of interstate projects to the extent of about $40 million, which would equal Ohio's share of a $500 million Federal allocation under past ratio.

Therefore we would not be able to resume awarding of interstate construction contracts before some Federal allocation were made for 1963.

E. W. PRESTON,
Director,
Ohio Department of Highways.

SALEM, OREG., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Reference your telegram sent through Regional Engineer French. Oregon will be forced to suspend advertising of interstate project by September 1, 1959, except for a few projects held for right-of-way acquisition.

G. S. PAXSON,
Assistant State Highway Engineer,
Oregon State Highway Department.

MONTPELIER, VT., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator, U.S. Department of Commerce, Bureau of Public Roads:

Failure to continue full apportionments of Federal aid will have serious impact on Vermont. Will be forced to stop awarding interstate contracts by August 31, 1959. Any stoppage of program will require several years to rebuild our highway department organization.

WILLIAM POETER,
Vermont Commissioner of Highways.

SIXTEEN STATES AFFECTED BY ABOUT END OF THIS YEAR

AMES, IOWA, *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, Department of Commerce:

State of Iowa will have to stop awarding interstate construction contracts not later than January 1, 1960, if there will be no 1961 apportionment.

JOHN G. BUTTER,
Chief Engineer, Iowa State Highway Commission.

FRANKFORT, KY., *June 4, 1959.*

B. D. TALLAMY,
U.S. Bureau of Public Roads:

Reply to your telegram of June 3, we have determined that following our normal schedule of contract lettings we will have to stop awarding construction contracts on the Interstate System, January 1, 1960.

WARD J. OATES,
Commissioner of Highways.

BATON ROUGE, LA., *June 3, 1959.*

B. D. TALLAMY,
Administrator, U.S. Bureau of Public Roads:

Reurtel June 3 based on current schedule, Louisiana would stop letting contracts on Interstate System, December 1, 1959.

R. B. RICHARDSON,
Director, Louisiana Department of Highways.

AUGUSTA, MAINE, *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, US. Department of Commerce:

Information requested through regional and division offices will stop awarding interstate contracts about January 1, 1960, under conditions outlined.

DAVID H. STEVENS,
Chairman, Maine State Highway Commission.

BOSTON, MASS., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator.
Bureau of Public Roads:

If no 1961 interstate apportionment is made and the maximum of only 500 million for 1962, the Massachusetts Department of Public Works will cease contract lettings on interstate in December 1959.

ANTHONY N. DINATALE,
Commissioner of Public Works.

JEFFERSON CITY, MO., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Assuming no 1961 apportionment interstate awards in Missouri will stop approximately October 31, 1959.

REX M. WHITTON,
Chief Engineer.

SANTA FE, N. MEX., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator:

Reurtel June 3 New Mexico will exhaust all interstate funds and can let no further interstate construction after our December 1959 letting. We have only approximately $12 million remaining which under normal scheduling would run only 6 months.

L. D. WILSON,
New Mexico State Highway Department.

BISMARCK, N. DAK., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Reurtel North Dakota is maintaining interstate schedule. Based on best current information in normal schedule of contract lettings North Dakota would have to stop awarding interstate construction contracts in January 1960 assuming there was to be no 1961 interstate apportionment and a maximum of $500 million for 1962.

A. W. WENTZ,
State Highway Commissioner, North Dakota State Highway Department.

PROVIDENCE, R.I., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Bureau of Public Roads:

Assuming no 1961 interstate apportionment and approximately one-fifth normal for 1962 the last interstate construction contract in Rhode Island will be about January 1960 until further funds are available.

ANGELO A. MARCELLO,
State Director of Public Works.

COLUMBIA, S.C., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administration:

Retel based on present appropriations through 1960 interstate contract awards would stop October 1959.

C. R. MCMILLAN,
Chief Highway Commissioner.

NASHVILLE, TENN., *June 4, 1959.*

B. D. TALLAMY,
Administrator, Bureau of Public Roads:

Retel interstate apportionment Tennessee will have to stop awarding interstate construction contracts not later than December 31, 1959, under basis outlined your telegram.

H. D. LONG,
State Highway Engineer.

SALT LAKE CITY, UTAH, *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Department of Commerce:

If no 1961 interstate apportionment is reveived will be necessary to stop awarding interstate contracts October 1959. Assuming Utahs portion for 1962 would be about 3 million this would permit only two contracts during year received which could be placed under contract immediately upon receipt of funds. This estimate based on current information and normal contracting schedule.

ELMO R. MORGAN,
Director of Highways, State Road Commission of Utah.

OLYMPIA, WASH., *June 3, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads,
Department of Commerce:

Assuming there will be no 1961 interstate apportionment and a maximum of $500 million for 1962, it is estimated that State of Washington would have to stop awarding interstate construction contracts by December 1, 1959. This is based on current information and our normal schedule of contract letting.

W. A. BUGGE,
Director of Highways.

CHARLESTON, W. VA., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator,
Department of Commerce,
Bureau of Public Roads:

Re your wire June 3 to C. L. Bower. Assuming no 1961 interstate apportionment and a maximum of $500 million for 1962, West Virginia would have to stop awarding interstate construction contracts by end of 1959.

PATRICK C. GRANEY.

CHEYENNE, WYO., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Wyoming will not award interstate contracts after October 9, 1959, unless 1961 interstate apportionment is made. Interstate program is two-thirds of Wyoming road program which constitutes 28 percent of States economy.

J. R. BROMLEY,
Superintendent, Chief Engineer, Wyoming Highway Department.

WASHINGTON, D.C., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, Department of Commerce:

Reurtel, June 3. If there is no apportionment of interstate funds for 1961 and only 500 million for 1962, and if we followed normal schedule of contract letting, District of Columbia would have to stop awarding interstate construction contracts in October 1959. In view of present uncertainty with respect to interstate funds the District is now holding in abeyance advertisement projects estimated to cost $12.9 million.

HAROLD L. AITKEN,
Director, Department of Highways and Traffic, District of Columbia.

ELEVEN STATES AFFECTED BY JULY 1960

MONTGOMERY, ALA., *June 4, 1959.*

B. D. TALLAMY,
Administrator, Bureau of Public Roads:

Regarding your inquiry, if Alabama receives no interstate apportionment for fiscal 1961, and only its share of $500 million for fiscal 1962 we will have all available interstate funds under contract by June 30, 1960.

SAM ENGELHARDT,
Highway Director.

ATLANTA, GA., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Reurtel assuming no 1961 interstate apportionment and maximum $500 million for 1962 our normal schedule of contract letting would exhaust funds about July or August 1960 necessitating stop in awarding interstate construction contracts.

M. L. SHADBURN,
State Highway Engineer, State Highway Department of Georgia.

INDIANAPOLIS, IND., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Re your wire June 3, 1959, based on normal schedule of contract lettings Indiana will have to stop awarding interstate construction contracts about July 1, 1960.

JOHN PETERS, *Chairman.*

TOPEKA, KANS., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Assuming there will be no 1961 interstate apportionment, and a maximum of only $500 million for 1962, based on the best current information and our normal schedule of contract lettings, it will be necessary to stop awarding interstate construction contracts by approximately June 30, 1960.

WALTER JOHNSON,
State Highway Engineer, Kansas, State Highway Commission.

BALTIMORE, MD., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads,
Department of Commerce:

Based on the premise that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, advise Maryland's status as follows: February 1960 would be terminal date for awards of interstate construction contracts. This terminal date would possibly occur as early as December 1959 pending review of protective right-of-way acquisition that would normally have come from 1961 and 1962 funds.

NORMAN M. PRITCHETT,
Chief of Engineers,
Maryland State Roads Commission.

JACKSON, MISS., *June 4, 1959.*

B. D. TALLAMY,
Highway Administrator,
U.S. Department of Commerce,
Bureau of Public Roads:

According to our schedule, we would stop awarding contracts on the Interstate System about March 1960.

T. C. ROBBINS,
Director, Mississippi State Highway Department.

CARON CITY, NEV., *June 3, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

The State of Nevada will stop awarding Interstate Highway construction contracts on July 1, 1960, providing there is no 1961 interstate apportionment.

EDWARD L. PINE,
State Highway Engineer.

TRENTON, N.J., *June 4, 1959.*

Hon. B. D. TALLAMY,
Federal Highway Administrator, Department of Commerce, U.S. Bureau of Public Roads:

The 1959–60 Federal interstate funds will all be under advertisement by July of 1960. New Jersey share ($16,200,000) of 1962 Federal funds if apportioned for July 1960 will be committed by October 1, 1960.

DWIGHT R. G. PALMER,
New Jersey State Highway Commissioner.

HARRISBURG, PA., *June 4, 1959.*

B. D. TALLAMY,
Administrator, Bureau of Public Roads, U.S. Department of Commerce:

With no 1961 Federal interstate apportionment, Pennsylvania must stop letting contracts April 1, 1960, at the latest. Contracts with reduced 1962 apportionment would be awarded by June 1, 1961.

PARK H. MARTIN,
Secretary of Highways.

PIERRE, S. DAK., *June 3, 1959.*

BERTRAM D. TALLAMY,
Commissioner of Public Roads:

Without a 1961 apportionment South Dakota should have all interstate funds under contract by May 1, 1960.

W. V. BUCK,
State Highway Engineer.

MADISON, WIS., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Assuming no 1961 interstate apportionment and maximum $500 million for 1962 Wisconsin estimates that under its normal schedule of contract lettings it would stop awarding interstate construction contracts May 1, 1960.

HAROLD L. PLUMMER,
Chairman, State Highway Commission of Wisconsin.

TWELVE STATES AFFECTED AFTER JULY 1960

PHOENIX, ARIZ., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Washington, D.C.:

Assuming there will be no 1961 interstate apportionment and a maximum of only $500 million for 1962, based on best current information, and a normal schedule of contract lettings, Arizona would have to stop awarding interstate construction contracts approximately December 31, 1960.

J. R. VAN HORN,
Deputy State Engineer.

LITTLE ROCK, ARK., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, General Services:

Assuming there will be no 1961 interstate apportionment and a maximum of $500 million for 1962 based on best current information Arkansas would have to stop awarding interstate construction contracts approximately August 1, 1960.

ARKANSAS HIGHWAY DEPARTMENT,
R. B. WINFREY, *Acting Director.*

DENVER, COLO., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads,
Department of Commerce:

Re telegram this date on basis no interstate apportionment for 1961 and 500 million for 1962 our normal schedule of contract award would utilize all funds on or before September 1, 1960.

MARK U. WATROUS,
Chief Engineer,
Colorado Department of Highways.

DOVER, DEL., *June 4, 1959.*

BERTRAM D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Matching interstate funds in Delaware depends primarily on receiving request allocation from Delaware Legislature now in session. With State matching funds available Delaware would continue to advertise and award interstate construction contracts through June of 1961 based on existing apportionments not yet spent. Should there be cutback in 1962 Federal funds, Delaware would start reduced construction in that year.

R. A. HABER,
Chief Engineer,
Delaware State Highway Department.

BOISE, IDAHO, *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Bureau of Public Roads:

On basis of assumptions stated and that 1962 apportionment to Idaho would be $3,-

430,000 available in July 1960 Idaho would have to stop awarding interstate contracts in November 1960.

G. BRYCE BENNETT,
State Highway Engineer,
Idaho Department of Highways.

ST. PAUL, MINN., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Re your telegram, Overbee, June 3: Based on continuing normal schedule of contract lettings we estimate end of interstate construction contract awards by November 1960.

L. P. ZIMMERMAN,
Commissioner of Highways.

HELENA, MONT., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
Bureau of Public Roads:

Re your telegram June 3 on interstate apportionments: Present financial status indicates State matching funds would be sufficient to cover unobligated Federal-aid balance with no stoppage of contract awards providing 1962 apportionments of $500 million is allocated, and 1961 apportionment is deleted.

FRED QUINNELL, Jr.,
Montana State Highway Engineer.

LINCOLN, NEBR., *June 3, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Bureau of Public Roads:

Assuming there will be no 1961 interstate apportionment and a maximum of only $500 million for 1962, Nebraska will have to stop awarding interstate construction contracts by February 1961.

R. L. COCHRAN,
Nebraska State Engineer.

RALEIGH, N.C., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Bureau of Public Roads:

Reference is made to your telegram received from the local bureau of public roads pertaining to approximate date North Carolina would have to stop awarding interstate construction contracts; assuming no 1961 interstate apportionment and a maximum of $500 million for 1962. Our best estimate at this time is that our normal schedule of contract lettings for the Interstate System would stop by late fall 1960.

W. F. BABCOCK,
Director of Highway.

OKLAHOMA CITY, OKLA., *June 3, 1959.*

B. D. TALLAMY,
Administrator, Bureau of Public Roads,
Department of Commerce:

Assuming no 1961 interstate apportionment and maximum of only $500 million for 1962, Oklahoma would have to stop awarding interstate construction contracts August 1960.

G. H. BITTLE,
Acting Director,
Oklahoma Department of Highways.

AUSTIN, TEX., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator, Bureau of Public Roads, Washington, D.C.:

Replying to your letter of June 3, you are advised that all Federal interstate highway funds will be let to contract in Texas by November 1960 should 1961 and 1962 funds not be forthcoming.

D. C. GREER,
State Highway Engineer.

RICHMOND, VA., *June 4, 1959.*

B. D. TALLAMY,
Federal Highway Administrator,
U.S. Department of Commerce:

Re your telegram June 3: It will be necessary to stop awarding interstate construction contracts in July 1961.

S. D. MAY,
State Highway Commissioner.

LIBERAL DILEMMA

Mr. CLARK. Mr. President, in this morning's issue of the New York Times there was published an editorial entitled "Liberal Dilemma." I ask unanimous consent that the editorial may be printed in the RECORD at this point in my remarks.

The PRESIDING OFFICER (Mr. MANSFIELD in the chair). Is there objection to the request of the Senator from Pennsylvania?

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

LIBERAL DILEMMA

The liberals in Congress and their outside supporters have been tireless in their condemnation of the Democratic leadership for its efforts to curb spending bills and avoid Presidential vetoes. This is understandable. From the liberal view there is no denying that, in the words of the Committee for an Effective Congress (CEC), the present session has not supplied the new national direction, the sense of verve, which optimists expected of the election.

But the real reasons for the liberals' frustration go deeper than Senator JOHNSON and Speaker RAYBURN. The first of these reasons is generally understood: the liberals have only a bare majority on most issues. Given Presidential vetoes, they simply do not have the votes to override. The leadership prefers to act with this fact of life in mind.

The other reasons are more meaningful in the context of what Congress ought, or ought not, to be doing. One is the course of the economy. The exuberant and pervasive recovery has sharply altered the sense of urgency behind one category of liberal measures, such as depressed areas relief and loans to communities for public works.

Another is that achievement of a new national direction is much easier said than done in the case of problems that defy any readily apparent solution. The farm mess and the mix of national defense come to mind. If the liberals have reached agreed answers on these matters, which only Senator JOHNSON is preventing them from putting into effect, they have kept their answers to themselves.

The last, and perhaps most important, reason comes under the heading of a historical accident. The liberal victory last November came at a fiscally and economically inopportune time. The Federal Government was heading into its largest peacetime deficit, inflation was properly an overriding national concern, bond markets were weak, the Nation's international payments were showing a huge deficit. The President's reaction—a policy of retrenchment—was not only the natural one for a conservative, but surely right in the circumstances. His sense of alarm has been conveyed in some degree to the moderates of the opposition party.

Thus one can sympathize with Senator CLARK in his lament that northern Democrats are being deprived of a record on which to run in 1960, without sharing his conclusion that the leadership is to blame. Events, more than men, have made this a difficult year for the liberals.

Mr. CLARK. Mr. President, the editorial makes the point that those of us who are called "liberals" in the Congress have been the victims of circumstances because "The exuberant and pervasive recovery has sharply altered the sense of urgency behind one category of liberal measures, such as 'depressed areas' relief and loans to communities for public works."

The editorial then indicates that the farm mess and national defense are problems puzzling not only to the liberal group, but also to all Members of Congress. Goodness knows that is true.

It is then pointed out that the liberal victory last November came at a fiscally and economically inopportune time, because the Federal Government was headed into its largest peacetime deficit, and inflation was properly an overriding national concern.

Mr. President, those things all may be true, but to my way of thinking it is important for the country to appreciate it is not events, more than men, which have made this a difficult year for the liberals. The basis of our contention is that the measures which we advocate should go ahead regardless of the state of the economy. We need a depressed areas bill in West Virginia, Pennsylvania, and numerous other States just as much today as we did at the bottom of the recession. We need an aid-to-education bill in good times as well as bad. We need a good housing bill in good times as well as bad.

I am firmly convinced that the country wants such measures, and I am confident that the changing nature of the economy, and its improvement, will not significantly reduce the public support for—just as they do not reduce the need for—the liberal measures which I hope the Congress will push to enactment before adjournment.

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

Mr. CLARK. I am bound by the 3-minute rule.

Mr. President, I ask unanimous consent to be granted 2 additional minutes in order that I may yield to the Senator from West Virginia.

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

Mr. RANDOLPH. I believe that the observations of my distinguished colleague from Pennsylvania are very important at this time. It is appropriate to focus attention on the need for the enactment of legislation vital to the well-being of large segments of our people and to the strengthening of certain areas of our country.

The measure to which the Senator from Pennsylvania particularly refers—notably the bill for assistance to the distressed areas of the country—is imperative. I am encouraged to believe that there is a growing sentiment within the House of Representatives which may "jell" within the next few days, so that we may see action in this session on the Senate passed legislation.

Mr. CLARK. My friend, as a former Member of the other body, is in an excellent position, in talking with his erstwhile colleagues, to urge them to take whatever steps may be necessary to bring that bill to a vote on the floor of the House, and enlist the support of the leadership in the other body. I will do what I can in my humble way. I welcome the Senator's assistance in the project. I feel that legislation to assist depressed areas is a definite commitment by the Democratic Party, and that our colleagues in the other body should be given an opportunity to vote on that bill.

Mr. RANDOLPH. It is entirely possible that there will be a discharge petition used on the House side in reference to this specific proposal, in the event there is no regular procedure in bringing the legislation before that body for debate and action.

TRIP IN SUBMARINE "SKIPJACK"—ARTICLE BY SENATOR JACKSON

Mr. MAGNUSON. Mr. President, I wish to bring to the attention of the Senate an informative and constructive article written by my distinguished colleague the Senator from Washington [Mr. JACKSON] urging support for a program that will give the United States leadership in oceanographic research and continue our leadership in the nuclear-submarine field. The article, entitled "The Most Important 7 Miles in the World," appeared in Parade magazine June 21, 1959.

As chairman of the Military Applications Subcommittee of the Joint Committee on Atomic Energy, Senator JACKSON has been in the forefront of those in Congress urging an expanded oceanographic effort.

I ask unanimous consent that his article be printed at this point in the RECORD.

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

THE MOST IMPORTANT 7 MILES IN THE WORLD

(By Senator HENRY M. JACKSON)

WASHINGTON, D.C.—I have just returned from a historic voyage in the atomic submarine *Skipjack*. We traveled deeper and faster than any submarine in history. We explored an entirely new world, a world of mystery and vast possibilities. It is a world of which we know very little.

Our very ignorance of this world—the 7 miles, at most, between ocean surface and ocean floor—may be a menace to our Nation's survival.

What I learned beneath the seas convinces me that the greatest threat to security may not be the lag in outer space research. We actually know less about the oceans than we do about outer space. For instance, we have roughly accurate charts for only about 2 percent of the total deep-sea floor.

Yet the seas are highways, strategic approaches to our shores, potential sources of food and minerals, and weathermakers. For the moment, let me cite just one example of their importance to the world in peace as well as war:

Millions in the world are underfed. If we knew why fish populations disappeared and reappeared, and knew more precisely the distribution of fish life, we could at least double the commercial fishing harvest. The oceans could be farmed as land is farmed. We could plow the oceans by mixing deep, nutrient-rich ocean water with surface water, thus increasing the ocean's production of fish.

But it is the military use of the seas that is most threatening today. The time is rapidly nearing when the Soviets could mount a devastating nuclear warhead attack from the sea. The H-bomb and the missile have added new muscle to seapower—the nuclear submarine armed with ballistic missiles.

But while the submarine has moved into a new era, submarine defenses have not. A panel of underseas warfare experts, which I appointed last year to advise the Joint Atomic Energy Committee, reported that no weapons system now in existence, even on an experimental basis, offers an adequate defense against nonsnorkeling submarines that run deep.

Antisubmarine defenses may improve, but before they can, we must know more about the oceans. Sonar is a detection system based on the measurement of noise. But the so-called silent deep actually is one of the noisiest places in the world. The most seasoned sonar expert may be 99 percent certain he has spotted a submarine 20 miles to the north; actually he is zeroed in on a whale 30 miles to the east.

We had better get to work. For our own security, there are four steps we should take immediately:

1. We must speed up the building of missile firing submarines—our Polaris program. The submarine based Polaris, together with the mobile land-based missile, the Minuteman, is the most invulnerable deterrent to war now in sight.

2. We must make an all-out effort in basic research below the oceans, including the Arctic.

3. We must enlarge our program of applied research in undersea warfare to find an effective detection system. At present we tie up an entire naval task force, involving many ships and thousands of men, just looking for one Soviet submarine.

4. We must step up our attack submarine program. Experts agree that the best instrument for finding and killing a submarine is another submarine.

The Russians are neglecting none of these important areas. They have 450 submarines to our 110; and 350 of their 450 have been built since World War II, in contrast with only 25 of ours. We have heard no boasts yet of nuclear-powered submarines but they probably will unveil some in the near future. If they announced only one, they might fear it would make them appear a bit ridiculous, so any announcement in all probability will involve a fleet.

UNDERWATER ACOUSTICS

And the Russians also have embarked on a massive effort in oceanographic and undersea warfare research. It is estimated that Russia employs as many as 800 professional oceanographers, plus 800 support personnel. A great number of Soviet oceanographers have been trained very recently. About 65 merchant vessels and 40 naval vessels, including submarines, are employed in oceanographic research full time or half time.

The Russians, we know, have been concentrating on underwater acoustics, so vital in submarine and antisubmarine programs. Recently, they made a thorough study of the Kurile-Kamchatka Trench. Oceanographers regard this study as significant, for the trench is an important area for basic scientific studies about the origin of the earth's crust. Knowing the topography of undersea mountains and valleys also is important in submarine operations, for they can provide the same kind of cover that an infantry or tank commander would look for in ground warfare.

The Soviet ocean effort during the International Geophysical Year was greater than that of any other country. According to reliable estimates, Soviet expenditures in this vital area may now be three times greater than ours.

The United States, by contrast, has about 500 professional oceanographers, who operate 45 ships for research, surveying and development. Sadly, only seven persons in this country earned graduate degrees in oceanography last year: Right now we could be using about three times our present number of trained oceanographers just to satisfy current demands. We should try to double our oceanographic fleet by 1970.

But first we must have a top-level decision to give the entire oceanographic program high priority. The Navy and other agencies have some farsighted plans. What is needed is action.

For instance, we should immediately start building a nuclear-powered research submarine, which could explore the deep valleys in the ocean floor and make ultra-deep-water measurements that otherwise are impossible.

Actually, America has not fallen far behind in undersea research. But we've got to move ahead fast. We have done some excellent work. In 1958 we discovered the equatorial undercurrent, the Cromwell Current—a discovery comparable to the wartime discovery of the jet stream in the atmosphere.

But oceanographic research is not only important for military reasons.

The seas also are a vast storehouse of minerals. Some already are of great economic importance to the chemical industry—for example, iodine, bromine, and magnesium. And there are concentrations of manganese, cobalt, and nickel on the deep-sea floor.

Today we drill for oil just off our shorelines. Tomorrow, when we know more about the oceans, we may mine other minerals farther out.

THE SECRET OF LIFE

Discoveries we have made recently hint at the origin of the earth and of life itself. We are beginning to have some understanding, for instance, of the importance of water temperatures and of how heat is conducted within the earth's surface. We are beginning to understand the relationship of ocean currents and weather.

We know that what we call climate can change over a few decades. Experts now suspect that changes in the storage of gases and heat in the oceans influence the process. Behind this question lies the possibility of controlling the weather itself.

If we do not press research into weather control, it could be an awesome weapon against us. Think what might happen if one power in the world had the ability to inflict scorching heat one day and frigid blizzards the next. We find it difficult enough to move about in our present environment when we get a few inches of snow. I wonder how people in the warmer areas of our country would get along at 200° below zero. Military applications aside, weather control has vast implications for agriculture, industry, and all of society.

We must push ahead in both peaceful and military aspects of all these fields, for a big job lies ahead. Perhaps most important at the moment is acoustical research and techniques for predicting the behavior of sounds underwater. This is crucial to a breakthrough in the problem of submarine detection. Work on the topography of the ocean floor also must be stressed.

To meet the immediate military challenge of the world beneath the seas, there are two things we need to do now, in addition to those I mentioned above.

I suggest that we have a Deputy Chief of Naval Operations for Undersea Warfare because our submariners now are lost in a welter of naval bureaucracy.

Secondly, I would suggest that, as we speed up the construction of our nuclear submarine force, we concentrate on the Arctic. The Arctic, as the *Nautilus'* voyage proved, is a whole new theater where we could operate under the protective shield of the Arctic ice. This ice prevents sonar detection from the air and will give us an opportunity to bring into being a new retaliatory force that will, in effect, be a truly invulnerable deterrent.

The 7 miles beneath the seas may be the most important 7 miles in the world today. To plumb their mysteries is vital to our security, to the development of our economy, and to the well-being of all free peoples.

TRIBUTE TO J. GEORGE STEWART, ARCHITECT OF THE CAPITOL

Mr. FREAR. Mr. President, as most Members of Congress undoubtedly know, the distinguished Architect of the Capitol of the United States is a resident of the State of Delaware and a former Member of Congress.

Among his many other duties, he is actively concerned at the present time with the renovation of our Capitol Building. In that connection, the American Society of Civil Engineers, through the president of its Washington chapter, has recently visited Capitol Hill to observe the progress of the construction now taking place.

After doing so, the society has addressed a letter to Mr. Stewart commending him and his staff, and I ask unanimous consent that this letter be included in the RECORD at this point as a part of my remarks.

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

AMERICAN SOCIETY OF
CIVIL ENGINEERS,
NATIONAL CAPITAL SECTION,
Washington, D.C., June 17, 1959.

Mr. J. GEORGE STEWART,
Architect of the Capitol,
Architect's Office,
Washington, D.C.

DEAR MR. STEWART: On behalf of the National Capital Section please accept our most sincere thanks for the very pleasant trip that we enjoyed last Saturday, June 13, in visiting the work in progress on Capitol Hill.

The generous use of your time and the assistance of your staff are very much appreciated. We were quite impressed with the engineering excellence of the works under construction and we feel sure the taxpayers of the country are getting a good return on their investment.

Sincerely yours,

ALFRED R. GOLZÉ.

FEDERAL-STATE RELATIONSHIPS

Mr. DODD. Mr. President, I wish to state my unqualified opposition to the House bill passed yesterday which would limit the power of Federal courts to interpret Federal laws, and threaten the essential supremacy of Federal law which is the bedrock of our Constitution.

I oppose this bill because I think it is unnecessary, because I feel it is a usurpation by Congress of the legitimate authority of the courts, because it would create chaos in the field of Federal-State relationships, and because it would inundate the courts with a flood of needless litigation.

Even if I supported the objective of this bill, and I do not, its ambiguous wording and the conflicting estimates by its supporters of what it would accomplish would cause me to oppose it.

I have conducted extensive Senate hearings on this subject. I have emerged from those hearings with the conviction that this legislation would bind the Supreme Court in a straitjacket and endanger a vast body of vital Federal regulatory law.

It is a dangerous, one-shot attempt to rewrite a century and a half of history and I urge my colleagues in the Senate to oppose it.

ORDER OF BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

Mr. JOHNSON of Texas. Mr. President, early this morning I talked with the distinguished chairman of the House Ways and Means Committee, Mr. MILLS, and asked his advice and assistance in connection with the problem which confronts us relative to the tax extension bill.

Mr. MILLS stated to me that he expected that if the Senate passed the bill as reported by the committee a conference would be necessary, and that considerable time would be consumed in the conference.

He stated that he did not believe the House would be willing to accept the amendments which have been made to the tax bill by the Senate committee.

I asked him if it would not be possible to reach an arrangement under which we could pass a joint resolution extending taxes until we could pass the bill. He said he did not favor that procedure, and that he did not expect to present such a resolution. As we all know, such a resolution would have to be initiated in the House.

I have no particular preference for any day to vote on the bill. I desire to follow the wishes of the Senate. However, I do wish to be responsible, and I know that the Senate wishes to be responsible.

Therefore, I shall, later today, ask unanimous consent for an agreement. If I am unable to obtain it, I shall modify it, and try to devise some other plans.

In any event, if we do not obtain an agreement, or have not passed the bill, I expect the Senate to remain in session late this evening—at least until midnight—reassemble early tomorrow, and, if necessary, go around the clock until action is taken on the bill.

Mr. CLARK. Mr. President, I believe every Member of the Senate must feel a keen sense of responsibility with respect to the tax bill.

Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CLARK. Has the tax extension bill been made the unfinished business?

The PRESIDING OFFICER. It has not.

Mr. CLARK. I certainly share that sense of responsibility. I regret any disagreement with the majority leader in which I find myself on this question, because I have great sympathy with his position, and I know that he feels it is most important to have the bill before the President at the earliest possible moment. So do I.

Yesterday, in the course of the discussion relating to the unanimous consent agreement, my good friend the majority leader said:

> We must have the bill passed by the Senate, have it go to conference, have an agreement in conference, have the conference report acted upon by both Houses, and have the bill go to the President and be signed by Tuesday. It is a grave responsibility; and I wish to do everything I can to get the bill to the President in time so that no tax revenue will be lost.

I share the majority leader's concern. I think it is absolutely vital that no tax revenue be lost.

However, later in the debate the Senator from Colorado [Mr. CARROLL] said:

> I cannot believe that another body of Congress will be so irresponsible as to allow the Government to lose revenue of $9 million a day. If we cannot vote temorrow by reason of the absence of Senators who have previously made commitments, why cannot we debate the bill tomorrow and vote on it on Monday? I admit that the time is short. But let us assume that we voted on the bill on Monday. Even if the conference committee did not agree, it would not be necessary to lose $9 million a day in revenue. The other body, I believe, could initiate a joint resolution so as to preserve the status quo for 15 days or 30 days, until there was full consideration of the tax bill and the amendments which I believe will be offered to it.
>
> It is my understanding that in a case of this kind only the House can initiate a joint resolution. When it does so, the status quo is preserved.
>
> I do not think the Senate is so irresponsible that it will not agree to pass such a joint resolution. That is why I suggest a modification of the proposal advanced by the majority leader. I ask unanimous consent that his proposed unanimous-consent agreement be modified so as to provide that the Senate shall vote on the bill on Monday. Thus, every Senator will have a chance to go on record on important tax amendments.

Thereafter the majority leader pointed out that this was not a matter within his control, and that the legislation would have to be initiated in the other body.

Steps have been taken to see that such a resolution is introduced in the other body. What its fate will be I have no way of knowing. I myself, respectfully and with all deference, must disagree with the comment made by my friend the majority leader to me on the floor last night when I suggested that perhaps a vote could be postponed until early on Monday. The majority leader said:

> I think it would be the height of irresponsibility to put off action until next Monday.

I regretfully find myself unable to concur in that view, particularly in light of the comments made by the Senator from Colorado.

Personally, I see no great urgency with respect to this bill; and I believe the amendments should be fully debated. I

hope they will be. I hope the distinguished majority leader will delay his presentation of the unanimous-consent agreement for at least a few hours more, until an accounting can be made of the present situation. I think there is nothing more disagreeable for a Democrat to do than to refuse to give unanimous consent when his majority leader asks for it. I think I have never done it before last night; I hope I shall never feel impelled by my conscience to do so again. I certainly would not want to oppose any unanimous-consent agreement which the majority leader might propose later today unless it was absolutely necessary for me to do so because of my strong feeling about these amendments.

None of us in the Senate are children. I think we all know the facts of life. So far as I am aware, a large number of Senators, my best count last night was 22 Senators—were planning to go to Canada on official business of the United States. I do not know how many that will turn out to be this morning. They have every right and ever reason to go to Canada. In many instances, I believe it is their duty to go. Among those Senators are a number who have a very keen interest in the amendments to the tax bill which will be presented today.

Frankly, and in a somewhat lighter vein, when I made a nose count of the 22, I came to the tentative conclusion that there were 11 who would vote in favor of some, if not all, of the tax amendments, and 11 who would not. So from the point of view of my position, I am in no worse shape, nor are my colleagues, if we vote today or tomorrow, than if we voted on Monday. It may be that the nose count this morning will disclose a different situation.

For that reason, I ask the distinguished Senator from Texas, as a personal favor to me, to withhold his unanimous-consent request for a few hours—perhaps no longer than noon—until we can see what the situation is.

I assure him that if at that time the conditions are such that we who support these amendments can conscientiously say we will be no worse off if we vote today or tomorrow, than if we vote on Monday, I will interpose no objection to the unanimous-consent agreement.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. JOHNSON of Texas. Of course I will comply with the Senator's request. I get no pleasure out of proposing consent requests and having them objected to. I believe the Senator from Pennsylvania would object if I did not observe his request, so I will comply with his wishes.

I may say to the Senator that sometime last week, and again this week, I reminded all Senators who had engagements, whether in Europe or Canada or anywhere else, that the Senate as an institution had to continue its work notwithstanding such engagements, and that Senators should be prepared to vote, particularly during the last week of June. Not only must we consider the tax bill; we must consider also the renegotiation bill, the debt limit bill, and other bills which have deadlines to be met.

I have reviewed the list of Senators who will be absent. As nearly as I can tell, I think they could pretty well be paired off. I am glad to have the view of the Senator from Pennsylvania that, in his judgment, no particular philosophy would gain an advantage by voting on one day or the other.

I do know that the House is very much concerned about its rights in the matter and its prerogative to initiate tax legislation. I do know the House will oppose, and oppose strongly, and I think at length, the amendments which have been added to the bill. I do know that the House will not initiate a continuing resolution, unless it does so over the protest of the chairman of the Committee on Ways and Means.

Knowing all those things, I think the course of responsibility indicates that we follow the advice of the chairman of the Committee on Finance, the ranking minority member of the committee, and the minority leader. Even the President feels very strongly that we should take no chances on getting the bill to him later than Tuesday. I do not think we could do that if we took up the bill on Tuesday.

It would be necessary for the Senate to have a discussion. The bill would have to go to conference. I do not know whether the House would be able to send it to conference immediately. I do not know what their situation is. But I do know that when the bill reaches the House, there will be some debate, just as there will be debate in the Senate, and just as the Senator from Pennsylvania wants to be assured that there will be debate.

So I think Senators who are absent could arrange to do what the Senate has done for many, many years. Most Senators have standing pairs. I have a standing pair with the minority leader. Any time he is absent from the Chamber for any purpose, and even if there is a tie vote, if we differ on the matter being voted on, I will protect him by not voting. He has agreed to do the same for me. I think Senators in my party understand that, and I think Senators in his party understand it, too.

So I think Senators who are absent could follow the same procedure. If the division among them is 10 to 10, or 11 to 11, or 12 to 12, what is to be gained by delaying the vote until next week? Not one thing. But there will be the added risk of losing revenue.

The chairman of the House Committee on Ways and Means has said that if there is 1 hour when there is no law, people will go out and buy large quantities of the products on which there are normally excise taxes; so the situation is simply too dangerous to contemplate.

Therefore, I shall ask the Senate to vote on the bill this week, in accordance with the request made by the committee. But I will not submit a unanimous-consent request until I have conferred with the Senator from Pennsylvania, in accordance with his request.

Mr. BYRD of Virginia. Mr. President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am glad to yield.

Mr. BYRD of Virginia. I express my hearty agreement with the views of the distinguished majority leader. I think it would be extremely dangerous not to act on the tax bill this week. The bill extends taxes in the amount of $3,100 million. Of that amount, $900 million is in excise taxes. As the majority leader stated, if those excise taxes are not operative, even for a day or a week, or for any other length of time, they will be noncollectible. Such action would throw the market into confusion. It may be that there will be made sales of refrigerators and of a large number of other commodities which are subject to excise taxes. It would be most unfortunate to cause so great a loss to the Treasury.

Furthermore, I agree with the majority leader with respect to the amendments to the bill. I opposed the amendments to the bill in the Committee on Finance. Two amendments were adopted, one by a vote of 9 to 8. One of the amendments would remove, effective August 1, the tax on passenger fares, whether on railroads, buses, or airplanes. I oppose that amendment. I have done all I could to oppose it, not because of its merits or demerits, but because I do not think the bill should be loaded down with amendments.

I opposed the other amendment, with respect to the tax on telephones and long distance messages. That amendment puts those taxes in the category of the bill which expires on the 30th of next June. That amendment was adopted in the committee by a vote of, I believe, 15 to 2. I opposed it.

One word more. As I stated yesterday, the bill came from the House on June 9. It was received by the Committee on Finance on June 10. Hearings were held on the bill, as of course they should have been. A number of Senators requested an opportunity to be heard. The Senator from Pennsylvania [Mr. CLARK] honored the committee by being a witness at the hearings. Other Senators who are not members of the Committee on Finance asked to be heard.

The bill was reported on June 24. I think that was very expeditious action—a matter of 2 weeks—for a bill of so great importance. So if any delay has crept into the progress of the bill, the Committee on Finance is not responsible for it. We acted as promptly as we could, if we gave proper consideration to the bill and held the hearings which were requested.

I sincerely hope that prompt action will be taken on the bill, even if it is necessary to have the Senate stay in session continuously from now until Monday or from now until Saturday, because a conference will have to be held with the House, and we do not know what the outcome of the conference will be. The bill will have to be signed by midnight of next Tuesday; otherwise the excise taxes will become inoperative.

Mr. CLARK. Mr. President, let me first say a word to the distinguished Senator from Virginia, and then I shall address a word to the majority leader.

It is very painful for me to have to differ, on a question of judgment, and

perhaps even on a question of fact, with so distinguished a Senator who has had long experience in this body and has as wide a knowledge of the problem before us as has the senior Senator from Virginia. In fact, it may even seem presumptuous for me, a junior Senator, to do so. Nevertheless, I feel compelled to do so because I do not see the situation as he does.

In my judgment, there is no gun with a time lock on it pointed at our heads. There is no real requirement to pass the bill this week, or on Monday, Tuesday, or even Wednesday of next week. A procedure has been used many times before in the history of Congress—and at a later time this morning I shall have some examples to call to the attention of the Senate. Because of the shortness of the time involved, the research on that matter is still being made.

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

Mr. CLARK. Not at this moment; I will yield later.

I agree with the able Senator from Colorado [Mr. CARROLL] that we must assume that the other body is as responsible as we are. I think that assumption is justified. I honor the statement of the majority leader. I feel certain that he has told us the exact truth, the whole truth, and nothing but the truth, with respect to his conversation with the chairman of the House Committee on Ways and Means.

But I must say to the Senator from Virginia, in all candor, that I do not believe the House would hesitate to pass a joint resolution extending these taxes for 5, 10, 15, or even 30 days, so that these important matters of public business can be adequately considered by this body and then have the bill go to conference under no sense of pressure. The conferees of the Senate would represent the view of the Senate on the matters with respect to which we differ with the House, and would be able, in cooperation with our colleagues in the House, to come back to the Senate with an appropriate bill from a conference which was not held under pressure.

I am sorry that I differ with the Senator from Virginia in that regard. I firmly believe that the House of Representatives will act as I have suggested, and that Members of the Senate should not be hastened in making determinations in regard to these amendments by any thought that a time gun is placed against their heads.

Mr. President, I turn to the comments made by the majority leader, which I think were entirely pertinent and absolutely correct. He did give us notice that this bill would be called up this week and that he would press for a vote. He was candid; and I think that from where he sits, what he did was absolutely right. I have no quarrel with it.

In view of his personal conversations with me on the subject, as well as what he said on the floor, I canceled a trip to England that I was very anxious to make. My plane would have left at 3 o'clock yesterday afternoon, and I would now be meeting with an international group on the subject of what can be done through parliamentary action in a number of countries to achieve the rule of law in the field of world peace and in the field of limited disarmament. To me, that was about as important a use of my time as I could imagine. Arrangements had been made with Representative PORTER, of Oregon, from the other body, in response to a House concurrent resolution similar to mine, to go to London for that purpose. I was supposed to go, representing a dozen Senators who had joined in submitting here in the Senate a concurrent resolution on the same subject. It was a source of real regret and deep disappointment to me that I had to call off that trip. However, I felt, and still feel, that the majority leader was entirely within his rights in urging all Senators who had a keen interest in the tax bill to remain here and show their interest on the floor. So I canceled my trip.

Last night, on the floor, in the course of the mildly hectic proceedings in connection with consideration of the unanimous-consent agreement proposed by the majority leader, six Senators on our side of the aisle who were going to Canada urged me to do everything within my power to hold off a vote on this measure until Monday, because they felt, from the point of view of their own records and also from the point of view of their obligations to their constituents, that they wished to be here to vote.

I may say to the majority leader that I made no commitment that I would do that. I told them I would see what I could do, and that I would do the best I could. But I made no commitment.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Pennsylvania yield to me?

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

Mr. CLARK. I am happy to yield.

Mr. JOHNSON of Texas. Not a day passes that I do not receive such requests from Senators. In fact, very few days pass that I do not receive requests of that sort in regard to more than six Senators who plan to be absent.

Some Senators were absent earlier in the week or were absent last week, and did not want me to bring up the conference report on Monday, and they did not want it voted on on Tuesday.

If we were to comply with all such requests—I always desire to comply, but never am able to do so—no votes would ever be taken in the Senate, because there are always four, five, six, or seven Senators who would like to be somewhere else.

Mr. CLARK. I am sure the Senator from Texas is correct. The only comment I can make is that I thank God I am not the majority leader.

A little while ago the Senator from Delaware [Mr. WILLIAMS] asked me to yield to him; and I told him that I would do so later. Does he desire that I yield to him at this time?

Mr. WILLIAMS of Delaware. No.

Mr. CLARK. Mr. President, I yield the floor.

TAX RATE EXTENSION ACT OF 1959

Mr. BYRD of Virginia. Mr. President, I should like to call up for consideration House bill 7523.

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to consider that bill.

The PRESIDING OFFICER. The bill will be stated by title, for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates.

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

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with amendments.

Mr. BYRD of Virginia. Mr. President, I wish to make a brief explanation of the bill, on behalf of the Senate Finance Committee:

The Committee on Finance, to whom was referred the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

H.R. 7523 as passed by the House provided for a 1-year extension of the present corporate income tax rates and the existing rates of certain excise taxes. The rates of these taxes otherwise are scheduled for reduction on July 1, 1959.

The present 52-percent corporate income tax rate, without the 1-year extension provided in this bill, would revert to 47 percent as of July 1, 1959, through a reduction of the normal tax rate from 30 percent to 25 percent. The excise tax rates, which without this bill would also be decreased as of July 1, 1959, are those on distilled spirits, beer, wine, cigarettes, passenger automobiles, and automobile parts and accessories. The rates for these taxes, both those which are being extended and the rates which will be applicable July 1, 1960, are both shown in table 1 of the report.

The Committee on Finance has accepted the provisions of the House bill, but added two amendments. One of these repeals the 10-percent tax on the transportation of persons effective for the first month beginning more than 10 days after the date of enactment of this bill. The second amendment provides that the present taxes on telephone, telegraph, and related services, which are generally at a 10-percent rate, are to terminate as of July 1, 1960, the same termination date the House-passed bill provides for the excise tax rates it is continuing.

The continuation of the present corporate tax rate and the excise tax rates on alcoholic beverages, cigarettes, passenger cars, and auto parts and accessories is essential, in view of the 1960 budgetary requirements. Provision for a termination date in the case of the various communication excise taxes is provided, in order to give assurance that these tax rates will be reviewed at the

same time Congress reviews the other excise tax rates which are to terminate on July 1, 1960. This is not intended to give any assurance that these communication tax rates will be considered for termination any sooner than the other excise tax rates which under this bill are to be reduced as of July 1, 1960. The repeal of the transportation tax on rail, air, and other transportation of persons is in accord with the action taken by the Senate last year, when it repealed this tax. However, this repeal did not become effective, since it was not accepted by the conferees.

If the existing rates are not continued, there would be a revenue loss in a full year of operation of about $3.1 billion. Of this, $2.2 billion would be in corporate income taxes, and $0.9 billion in the following excise taxes: $241 million in various alcohol taxes, $226 million in the tax on cigarettes, and $458 million in the taxes on automobiles and automobile parts and accessories. The $924 million which would be received in a full year from the continuation of excise taxes will, under your committee's bill, be reduced by $250 million, or the estimated cost in a full year of operation of its amendment repealing the tax on the transportation of persons. This reduces the $924 million of gain from excise taxes to $674 million in a full year of operation. This does not take into account the taxes on communications, since these are not reduced until the beginning of the fiscal year 1961.

Mr. President, I urge the passage of the bill as it has been reported to the Senate by the Finance Committee.

Mr. CLARK. Mr. President, will the Senator from Virginia yield to me?

Mr. BYRD of Virginia. I yield.

Mr. CLARK. I should like to ask a question.

I note there are no minority views. Can the Senator from Virginia tell me the background on that point? It was my understanding, from my talk with the Senator from Minnesota [Mr. McCARTHY], that minority views would be filed.

Mr. BYRD of Virginia. No request was made of the chairman of the committee to file minority views. This is the first I have heard of it, I say to the Senator from Pennsylvania.

Mr. CLARK. I should like to ask another question: It is my understanding—and of course the Senator from Virginia will tell me if I am requesting information to which I am not entitled—that within the committee, several votes were taken on amendments to be proposed by some of us.

First, I ask the Senator from Virginia whether there was within the committee a vote, and, if so, what the result of the vote was, on the amendment of the Senator from Minnesota, dealing with the dividend credit.

Mr. BYRD of Virginia. I shall be glad to give the Senator from Pennsylvania the votes on all the amendments.

Mr. CLARK. I thank the Senator.

Mr. BYRD of Virginia. The amendment to repeal the tax on the transportation of persons was adopted by a vote of 9 to 8.

The amendment to repeal the dividend credit and exclusion provisions from the gross income tax was defeated by a tie vote of 8 to 8.

Mr. CLARK. That was the amendment of the Senator from Minnesota [Mr. McCARTHY], was it?

Mr. BYRD of Virginia. Yes. Several members were absent. Each one was given an opportunity to vote.

On the amendment to reduce the depletion allowance for oil and gas wells to 15 percent in the case of those whose gross income from gas and oil wells was over $5 million, and to 25 percent in the case of those whose gross income from gas and oil wells was between $1 million and $5 million, and to 27½ percent in the case of those whose gross income from gas and oil wells was under $1 million, the amendment was defeated by a vote of 3 to 14, with all Senators voting.

The amendment to disallow business expenditure deductions for entertainment at night clubs, theaters, sporting events, the maintenance of yachts, hunting lodges, country club dues, business gifts, and expenses in traveling to conventions, was defeated by a vote of 4 to 9. The repeal of the excise tax on communications, which I have just mentioned, simply would put that tax in the category of those taxes which expire each year. That amendment was adopted by a vote of 15 to 2.

That is the record of the votes taken on the amendments proposed.

There was no request made of the chairman of the committee to ask permission of the Senate, which, as the Senator from Pennsylvania knows, is necessary, to file minority views. If the Senator from Minnesota [Mr. McCARTHY] had made such a request, the chairman of the committee would have asked the permission. This is the first I have heard that the filing of minority views was in contemplation.

Mr. CLARK. May I ask another question with reference to the 15 to 2 vote? I am afraid I did not catch what the Senator said that vote was on.

Mr. BYRD of Virginia. That was in regard to the repeal of the excise tax on communications.

Mr. CLARK. The committee voted 15 to 2 in support of that amendment?

Mr. BYRD of Virginia. Yes; in support of it. I voted against it, and the Senator from Illinois voted against it.

I will say to the Senator from Pennsylvania I voted against all amendments, because I did not believe this bill was the proper vehicle on which to put such amendments.

I wish to call attention to the fact that any revenue bill which is reported to the Senate by the Finance Committee is subject to amendment. I am unable to understand why the impression is being created that this is the last opportunity to offer amendments.

Since the President would not be in a position to veto the bill, it is very obvious that if the proponent of any amendment were to succeed in having it incorporated in the bill, there would be a loss of some of the $3,100 million in taxes for which this bill provides. I do not think the Senator from Pennsylvania or anyone else would want to create the impression that this is the only opportunity the Senate will have to consider such amendments as the Senator from Pennsylvania and other Senators desire to present to the Senate.

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

Mr. BYRD of Virginia. I yield.

Mr. CLARK. It had been my understanding, and I ask the Senator from Virginia to correct me if I am wrong, that the pending bill, dealing with excise taxes and corporate taxes, was, in all likelihood, the only bill which would come from the Finance Committee during this session of the Congress to which amendments of the nature of those submitted to the committee would be pertinent. Am I wrong in that understanding?

Mr. BYRD of Virginia. There is no rule of germaneness in the Senate, as I understand. There will be several other small bills, the chief of the committee staff advises me, relating to minor matters, which will be reported by the Finance Committee.

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

Mr. BYRD of Virginia. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I may say to the Senator from Pennsylvania there are some amendments which I would like to offer with reference to the Internal Revenue Code. One of them deals with the depletion allowance. I do not think this bill was the proper measure in which to include such a revision through amendment. We would not be in a very strong position at this time. There are several bills pending in the House which are expected to come before the Senate. One deals with amendments of the Internal Revenue Code; for instance H.R. 5 dealing with subchapters C, J, and K, of the code on earnings.

Hearings are scheduled on that bill for July 7. I do not think there is any question but that one of these measures will be before the Senate.

When that bill comes before the Senate, it will not be facing a time limit. It will carry many proposed revisions of the Internal Revenue Code in addition to the sections to which I have referred. That measure will be a very much better vehicle to which to attach the type of amendments the Senator from Pennsylvania is proposing and which many other Senators will be proposing. This bill before us here today is not the proper vehicle to which to add such amendments.

I agree with the statement of the Senator from Virginia. We are operating against a time limit. I do not think there is any question that this bill could have been reported last Friday, or Monday at the latest, had it not been for requests by Senators, including the Senator from Pennsylvania [Mr. CLARK] that hearings be held on it. We wanted to accommodate those Senators. In order to do so, we could not get the bill to the Senate sooner. Even if we had, this still would not be the proper vehicle to which this type of amendment should be attached.

I make that statement as one who supported such amendments on previous occasions and as one who will support them again. However, we cannot overlook the fact that we are dealing with a bill on which it is essential to act promptly.

A short while ago the Senator from Pennsylvania said it is immaterial whether the Senate votes on the bill today, tomorrow, Monday, Tuesday, or Wednesday. If the Senate waited until Wednesday to vote on the bill, I call attention to the fact that as of midnight Tuesday the effect of no action would be to lower excise taxes on distilled spirits, beer, all types of wines, champagne, and cigarettes, as well as a reduction of 3 percent on the tax on automobiles and automobile parts.

I do not think the Senator from Pennsylvania or any other Senator wants to be responsible for lowering taxes at this time on alcoholic products. The bill involves revenues amounting to $3 billion, or about $9 million a day. If 24 hours were to slip by without the law being extended, practically every retail store the following morning would dump its inventories on the market minus the excise tax. They would be entitled to file claims against the United States for excise taxes paid in advance on floor stocks. It is inconceivable that we should even consider letting this law slip by for one day.

If the taxes are going to lapse entirely and not be extended then I think that should be stated. An excise tax cannot be stopped for 24 hours and then reinstated.

The corporate rate tax is in a different classification but we are not dealing only with the corporate rate tax. It may be true that whether the Senate votes Monday, Tuesday, or Wednesday, would make no difference as to that particular part of the bill.

Mr. CLARK. Mr. President, will the Senator from Virginia yield so I may reply to the Senator from Delaware?

Mr. BYRD of Virginia. I yield.

Mr. CLARK. I regret that the Senator from Delaware appears to have heard a part, but not all, of my remarks, or, if he heard them all, felt that it was desirable to reply only to a part of them. It was perhaps before the Senator from Delaware came into the Chamber that I——

Mr. WILLIAMS of Delaware. If the Senator will yield, I heard all of his remarks, and I replied to those which I thought needed reply.

Mr. CLARK. I will ask my friend from Delaware if he will reply, whether he thinks it is needed or not, to my statement that there is not a shadow of a doubt that if this matter were held in the Senate until Monday or Tuesday, the other body, being just as responsible as we are, and not wanting to have the Treasury lose revenue any more than this body does, would pass and send to the Senate the kind of resolution which has been initiated many times in the past, which would provide for temporary extension of the taxes in question for 5, 15, or 30 days, in order that, as I said—and I hope my friend from Delaware heard it, but I will say it again in case he did not—we might consider these very important matters in due course, without feeling there was a gun against our head. The matter could then go to conference, the conferees could consider the matter expeditiously, though not under any sense of pressure, and come back to the Senate with an appropriate conference report.

I would be happy to have my friend from Delaware state why it is not just as clear as crystal that that would happen.

Mr. WILLIAMS of Delaware. I may say to the Senator from Pennsylvania I hope that is what would happen, but that hope would be based on the assumption that the House has a higher sense of responsibility than the Senate. The House has accepted its responsibility and has passed the measure now before the Senate. I hope we in the Senate can accept our responsibility and send it to the President promptly. I certainly would not want to assume that the House can act with a higher sense of responsibility than the Senate. As one Senator I would not want to take the gamble that what the Senator predicts would happen. We cannot escape the conclusion that should we not act as of next Wednesday we would have reduced the tax on alcohol, beer, wines, champagnes, and other distilled spirits. That involves a substantial amount of revenue.

Mr. CLARK. Mr. President, I understand the Senator from Virginia has yielded the floor. I ask to be recognized.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). The Senator from Pennsylvania.

Mr. CLARK. It is always a great source of regret to me—in fact, it distresses me—to find myself in opposition to the views of the Senator from Delaware, whose judgment I do so much respect, and with whose economy measures I have occasionally associated myself; but I do not like the charge being made of the sense of irresponsibility on the part of the Senate——

Mr. WILLIAMS of Delaware. I did not make that charge. I said we had the same sense of responsibility.

I should like to ask the Senator from Pennsylvania what is wrong with voting on the amendments today or tomorrow. We are in session. The amendments of the Senator from Pennsylvania have been heard.

Mr. CLARK. I thought I made it abundantly clear to the majority leader—perhaps the Senator from Delaware did not listen to me—that I hoped very much we could work out an arrangement to vote either today or tomorrow. The majority leader has been very kind to me. He has agreed to withhold asking for a unanimous-consent agreement so we can take a nose count to see who is here and who is not. That nose count is presently in process. If it appears, as the majority leader has suggested, and I know he suggested it in complete good faith, that we can pair off the absent Members on these amendments in an approximately even way——

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. JOHNSON of Texas. The Senator indicated there were about 22 Senators absent. I was taking the Senator's estimate.

Mr. CLARK. Yes.

Mr. JOHNSON of Texas. I have not counted them. I do not think it makes much difference one way or another. I quite agree with the Senator from Delaware. I think the authors of the various amendments should offer the amendments when they wish. The amendments would have more chance of being agreed to if offered to another bill, but it is immaterial to me if the authors want to offer them to this bill and if they want yea-and-nay votes. I think the Senate is prepared to determine what it wants to do, by majority rule.

Mr. CLARK. I am sure the majority leader is correct. I was merely commenting on the fact that the Senator from Delaware had inadvertently, of course, not heard what I previously said on the floor before, or he would not have implied I was trying to hold this matter up unduly. I hope very much we can work out an arrangement to vote either today or tomorrow—preferably tomorrow, but I do not feel adamant about that one way or another.

Mr. SCOTT rose.

Mr. CLARK. I see my colleague from Pennsylvania is on his feet, I wonder if he wishes to have me yield to him.

Mr. SCOTT. I thank the senior Senator from Pennsylvania. I had hoped to be recognized on another matter, whenever the Senator yields the floor.

Mr. CLARK. Mr. President, I yield the floor.

SOVIET INTERPRETATION OF STRAUSS DEFEAT

Mr. SCOTT. Mr. President, I read from a text of a transcription of a radio broadcast, which I shall identify at the end of the quotation:

Recently we spoke to our listeners about how U.S. Secretary of Commerce Strauss, in an outburst of zeal and contrary to obvious facts, announced that the U.S. economy was flourishing. Alas, however, this excessive zeal on Strauss' part was not assessed correctly. As has become known, in accordance with the decision of the Senate, Strauss yesterday was removed from his post. What happened? The fact is, according to the U.S. Constitution, the appointment of a Secretary is made by the President of his discretion. But, this appointment has to be confirmed by the Senate.

A few months ago, after the resignation of millionaire Sinclair Weeks as Secretary of Commerce, Eisenhower chose as his successor another financial magnate, Lewis Strauss, who then began to fulfill the functions of Secretary of Commerce.

Strauss is by no means a novice in official Washington. During the last few years he headed the Atomic Energy Commission. At the same time, he has also been active in the business sphere, being the financial adviser of the Rockefellers and a partner in one of the big Wall Street firms, Kuhn, Loeb & Co. This completely respectable figure, from the point of view of the ruling circles, turned out to be unacceptable to the Senate.

Opposing the appointment of Strauss, Democratic Senators said that in his previous Government post, Strauss unashamedly utilized his powers for the enrichment of companies in which he himself occupied

directing posts. And, insofar as the opposition party, the Democrats, has a majority in the Senate, the candidature of Strauss failed.

The thunder and lightning which the Senators cast at Strauss might seem strange at first sight. Corruption is quite normal for the U.S. Capital, and the dark machinations of many highly placed figures by no means hinders their careers. However, in the United States at present a campaign is beginning for the presidential election which will take place next year, and evidently the leaders of the Democratic Party have decided to make use of the damaged reputation of Strauss, a Republican, in their own political interests.

It must be added that Strauss has called forth the discontent of those realistically thinking circles which support the widening of United States-Soviet trade relations. Strauss has tried in every way to throw a wrench into the machinery in the matter of the development of trade between the two countries. But his position in U.S. business circles is now by no means so popular as it was, let us say, a year or two ago. It is not without reason that yesterday's voting in the U.S. Senate is looked upon by U.S. commentators as one of the biggest political defeats suffered by Eisenhower's government in its entire existence.

The transcription I have read is the commentary of Valentin Zorin, Radio Moscow, Soviet Home Service, June 20, 1959, 1600 hours Greenwich mean time.

Following this, Moscow Tass radio teletype in Russia to Europe, June 21, 1959, stated:

A political scandal has broken in Washington: For the first time in the last third of a century, the U.S. Senate has turned down the candidature for a ministerial post proposed by the White House, says Pravda, commenting on the refusal of the U.S. Senate to approve the appointment of Lewis Strauss as Secretary of Commerce, a post which he has already held for some time.

The paper recalls that long before the discussion of his candidature in the Capital, Lewis Strauss aroused the hatred of all honorable Americans. The U.S. public has torn the down and feathers from Strauss, and he has appeared before the country stark naked as a dyed-in-the-wool reactionary and inveterate enemy of peace.

Mr. Strauss is not called an enemy of the people, but he is, however, identified as an enemy of the people and characterized as an "enemy of peace."

I thought the Senate and the Nation, interested as we all are at all times in the reactions of Soviet communism to our domestic and foreign affairs, would be pleased to have this latest news of the reaction of Russia, the Russian press, and the Russian leaders to a recent sad episode in the history of the U.S. Senate.

CODE OF ETHICS FOR LEGISLATIVE PERSONNEL

Mr. JAVITS. Mr. President, I wish to address myself to the subject of a code of ethics to serve as an example to Congress.

At the recent session of the New York State Legislature, the State senate and assembly adopted a series of amendments to the rules of their bodies which might well serve as a precedent for the Congress. The specific provisions which were adopted are, of course, directed specifically at the operations of the State legislature and its particular parliamentary structure, so that there are many areas in which they do not apply to our organization. But the concern and responsibility which these changes represent, and the favorable public response which they received, could serve as a precedent to the Congress.

Of particular applicability to the Senate is rule 15 adopted by the legislature, which provides:

Rule 15: Personnel information appearing in oaths and affidavits the names and addresses of payees, the period involved and the compensation therefor shall be available for inspection during regular business hours in the office of the secretary of the senate and the executive secretary of the assembly, by accredited members of the press and others who seek the same in good faith and with a concern for the public welfare.

That is a disclosure resolution and pertains to what people who are on the staff of the New York State Senate are receiving as pay. It is in accordance with a bill reported only yesterday by the Committee on Rules and Administration of this body, and which I hope will have our favorable consideration.

A number of Senators, including myself, have been seriously concerned with the question of payroll disclosure in this body. A number of us have made available such information to the press in the sincere belief that this was information to which the public is entitled. In addition, the Committee on Rules and Administration, has just reported out unanimously a resolution on this subject. I ask unanimous consent that the text of the New York State Legislative Rules changes and a letter from the legislative leaders on this subject be printed in the RECORD following my remarks.

I would also like to take this opportunity to urge the Committee on Rules and by our Committee on Labor and Public Welfare to give prompt consideration to the proposals now pending before them to amend the Rules of the Senate with respect to ethics and conflicts of interest. There has been growing concern, both among Senators and the general public, on these questions, which makes even more timely a prompt consideration by the various committees of the Senate of proposals involving conflicts of interest and ethics among legislators and their employees and in the executive branch. Early in the session I introduced, together with Senator KEATING, a number of bills on this subject in order to meet the congressional responsibility to establish standards and enforcement provisions in the area of conflicts of interest and ethics.

These include S. 658, S. 671, Senate Joint Resolution 30, Senate Resolution 46, and Senate Resolution 47, the latter two of which would amend the Rules of the Senate to give the Committee on Rules jurisdiction of matters involving the application of codes of ethics to Members, officers and employees of the Senate, and to permit Senators to abstain from voting on matters concerning which they have a personal or pecuniary interest, without securing the permission of the Senate. Prompt consideration by the appropriate committees should be given these proposals.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the concurrent resolution relating to the code of ethics adopted by the New York State Legislature.

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

CONCURRENT RESOLUTION AMENDING THE JOINT RULES OF THE SENATE AND ASSEMBLY, IN RELATION TO PRACTICES AND PROCEDURES IN CONNECTION WITH THE EMPLOYMENT OF LEGISLATIVE PERSONNEL, THE PURCHASE OF MATERIALS AND SUPPLIES, AND THE ACTIVITIES OF JOINT LEGISLATIVE COMMITTEES

Resolved (*if the senate concur*), That rules 7, 8, and 9 of the joint rules of the senate and assembly be renumbered to be, respectively, rules 25, 26, and 27; and be it further

Resolved (*if the senate concur*), That the joint rules of the senate and assembly be amended by inserting therein 18 new rules, to be rules 7 to 24, inclusive, to read, respectively, as follows:

Rule 7: There shall be filed with the secretary of state an oath of office for every employee no later than 30 days after appointment.

Rule 8: Before employment, every employee shall make an affidavit which shall be filed no later than 30 days thereafter, setting forth the name, home address, legal residence, Albany address (if any), whether a citizen of the United States, whether such employee holds any other position with any State, municipal, or Federal agency, the title and position thereof, whether ever removed from public employment, and whether ever convicted of any crime. In addition the title of the position to which the employee has been recommended, compensation, and whether such employment is on an annual, session, temporary, or limited basis, shall be set forth.

Rule 9: Appointments on behalf of the majority shall be designated "appointed on recommendation of majority" and such recommendations shall be signed by the recommending legislator or the temporary president of the senate or the speaker of the assembly, respectively, before certification. Appointments on behalf of the minority shall be designated "appointed on recommendation of minority" and such recommendations shall be signed by the recommending legislator, or the minority leader of the senate or the minority leader of the assembly, respectively, before certification.

Rule 10: The secretary of the senate or the executive secretary of the assembly shall respectively advise the temporary president of the senate or the speaker of the assembly that the oath of office, the affidavit, and the requirements of employment have been executed and fulfilled, before certification becomes effective.

Rule 11: A person who is receiving compensation for services from any branch of the State, Federal, or municipal government, shall not be employed by the legislature without prior written approval of the temporary president of the senate or the speaker of the assembly, respectively.

Rule 12: Employees shall not hold any employment or engage in any activity which may be in conflict or interfere with their legislative duties.

Rule 13: Every employee except those employed on an annual basis, shall file a statement that the services assigned to such employee have been performed and shall specify the period during which such services were performed. In addition the senator, assemblyman or administrative official under whose supervision the services were performed shall verify the same.

Rule 14: Employees who are regularly employed and on an annual basis shall be certified for payment substantially in the same

manner as employees in other branches of the State government.

Rule 15: Personnel information appearing in oaths and affidavits, the names and addresses of payees, the period involved and the compensation therefor shall be available for inspection, during regular business hours in the office of the secretary of the senate and the executive secretary of the assembly, by accredited members of the press, and others who seek the same in good faith and with a concern for the public welfare.

Rule 16: Special or extra service vouchers for legislative employees, setting forth the names and addresses of payees, the amounts received and the period for which the services were rendered, shall be filed with the comptroller of the State of New York and a copy filed with the secretary of the senate or the executive secretary of the assembly, respectively, and shall be available for inspection as hereinabove provided.

Rule 17: Whenever consultants or experts are employed or where special services are performed under contract, such agreements or contracts of employment shall be on file with the secretary of the senate or the executive secretary of the assembly, respectively, and shall be available for inspection as hereinabove provided.

Rule 18: In order to insure maximum efficiency and economy, purchase of materials, equipment, and supplies shall be in general accord with the prices established by the division of standards and purchase for the same or similar products. Whenever practicable, such purchases shall be the result of competitive bidding.

Rule 19: Joint legislative committees in their employment practices shall follow the procedures set forth herein for all legislative employees.

Rule 20: Appointments of joint legislative committee employees on behalf of the majority shall be designated "appointed on recommendation of majority" and such recommendations shall be signed by the appointing or recommending legislator or the temporary president of the senate or the speaker of the assembly, respectively, before certification. Appointments on behalf of the minority shall be designated "appointed on recommendation of minority" and such recommendations shall be signed by the appointing or recommending legislator or the minority leader of the senate or the minority leader of the assembly, respectively, before certification.

Rule 21: The chairman of joint legislative committees shall file a statement that the services were rendered by employees and the period thereof, before certification for payment. In addition every employee shall file a statement that he has performed the services assigned to him and the period for which such services were rendered. Upon request of the chairman, any member of such committee shall verify the facts in respect of the rendition and period of such services.

Rule 22: In the case of a joint legislative committee headed by a member of the senate, the personnel and related records shall be on file in the office of the temporary president of the senate and where the joint legislative committee is headed by a member of the assembly, such records shall be on file in the office of the speaker of the assembly.

Rule 23: Meetings of joint legislative committees shall be held under rules established by the temporary president of the senate and the speaker of the assembly and no vouchers incurred or submitted in violation thereof shall be valid.

Rule 24: Joint legislative committees and temporary State commissions shall file with the temporary president of the senate and the speaker of the assembly annual statements concerning their activities, fiscal operations and personnel.

By order of the assembly:

AINSLEY B. BUKOWSKI,
Clerk.

By order of the senate:

WILLIAM S. KING,
Secretary.

LETTER FROM ASSEMBLY SPEAKER OSWALD D. HECK, SENATE MAJORITY LEADER WALTER J. MAHONEY, ASSEMBLY MINORITY LEADER EUGENE F. BANNIGAN, AND SENATE MINORITY LEADER JOSEPH ZARETZKI

MARCH 4, 1958.

Hon. PAUL L. TALBOT,
Chairman, Joint Legislative Committee on Legislative Practices and Procedures, Capitol, Albany, N.Y.

DEAR ASSEMBLYMAN TALBOT: There has been widespread publicity concerning salaries of employees of the legislature and joint legislative committees.

In any governmental body made up of more than 200 independently elected officials, and many committees, there is always the possibility that unfortunate practices may develop. We feel that reexamination of present practices is required. In instances where abuses are found to exist, immediate remedial steps must be taken.

The necessity for strengthening the legislative process has been emphasized by many students of government. This can be done best by utilizing skilled professional staffs with adequate research, clerical, and stenographic assistance. The maintaining of a personnel system which will assure the legislature the manpower and tools to carry on its functions effectively is fundamental.

In eliminating abuses we must take every precaution to avoid injury to the hundreds of conscientious and competent men and women who presently staff the legislature, and without whose services the legislature could not effectively discharge its responsibilities to the people. The mere listing of the name and salary of a public employee gives no basis for evaluating or understanding the employee's ability, responsibilities and duties. Most legislative employees are paid modest salaries, in many cases less than is paid for comparable work in executive agencies and private enterprise.

There is no surer way to deprive the government of the services of able men and women than through indiscriminate attacks on the deserving and undeserving alike.

Our task as government officials is to safeguard the use of public funds while maintaining a system of government which will attract and retain competent personnel. To this end, we request that your committee, which has already rendered valuable service in the improvement of legislative procedures, expand its studies to include a thorough appraisal of the legislature's personnel system.

We invite your recommendations for methods of improving and strengthening personnel practices and making payroll records more easily accessible to the public. Your committee may wish to consider the designation of a special bipartisan subcommittee for this purpose which would work in cooperation with the State comptroller, the attorney general and other agencies.

We are particularly anxious that a procedure be developed which will ensure satisfactory verification of duties and time spent on the job. We would like this work to begin at once, so that the committee may submit interim reports and recommendations. These will receive our immediate attention whether we are in or out of session.

Sincerely yours,

(Signatures of legislative leaders.)

Mr. JAVITS. Mr. President, I urge upon the respective committees of the Senate—and I am urging upon the committees of which I have the honor to be a member—the consideration of this question, so that we may act upon it. I believe we are taking an excellent forward step in the disclosure of Senate payrolls, as they are colloquially called. But I think the matter needs to be followed through in other areas where there are conflicts of interest or ethical questions. Especially, I think the same general rules should apply to us that applies to all other Federal employees. Whether it is the acceptance of gifts, or whether it is a question as to whether to vote when one owns a security of a certain company which might be engaged in a certain line of business, or whatever else the question may be, we certainly will be helped by a series of standards adopted by the Senate, as I am deeply convinced every one of our 98 Senators wants to engage in conduct which is impeccable. Often Senators may be at a loss as to just what standard ought to be applied. It is for that reason that I urge favorable action upon a code of ethics at this session of Congress.

Mr. PROXMIRE. Mr. President, I wish to commend the Senator from New York on what he has said and has placed in the RECORD. I agree wholeheartedly with him that a code of ethics would be most desirable. I think there is no Member of the Senate who can speak more eloquently or more feelingly on this subject than can the senior Senator from New York.

The distinguished senior Senator from Illinois [Mr. DOUGLAS] also has spoken on this subject, and I associate myself with what he and the Senator from New York have said about it.

TAX RATE EXTENSION ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). The first committee amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 4, after line 8, it is proposed to insert a new section, as follows:

SEC. 4. REPEAL OF TAX ON TRANSPORTATION OF PERSONS.

(a) REPEAL.—Subchapter C of chapter 33 of the Internal Revenue Code of 1954 (relating to tax on transportation of persons) is repealed.

(b) TECHNICAL AMENDMENTS.—

(1) The table of subchapters for chapter 33 of the Internal Revenue Code of 1954 is amended by striking out

"SUBCHAPTER C. Transportation of persons."

(2) Section 4291 of such Code (relating to collection of tax by persons receiving payment) is amended by striking out "sections 4231 and 4264(a)" and inserting in lieu thereof "section 4231".

(3) Section 4292 of such Code (relating to State and local governmental exemption) is amended—

(A) by striking out "or 4261"; and

(B) by striking out "or facilities".

(4) Section 4293 of such Code (relating to exemption for United States and possessions)

is amended by striking out "subchapters B and C" and inserting in lieu thereof "subchapter B".

(5) Section 4294(a) of such Code (relating to exemption for nonprofit educational organizations) is amended—

(A) by strike out "or 4261"; and

(B) by striking out "or facilities".

(6) Section 6103(a)(2) of such Code (relating to publicity of returns and lists of taxpayers) is amended by striking out "B, C, and D" and inserting in lieu thereof "B and D".

(7) Section 6415 of such Code (relating to credits or refunds to persons who collected certain taxes) is amended by striking out "4261," each place it appears therein.

(8) Section 6416(b)(2)(H) of such Code (relating to credits or refunds in the case of certain taxes on sales and services) is amended—

(A) by striking out "tax-exempt passenger fare revenue" and inserting in lieu thereof "commutation fare revenue"; and

(B) by striking out "(not including the tax imposed by section 4261, relating to the tax on transportation of persons)."

(9) Section 6421(b) of such Code (relating to gasoline used for certain nonhighway purposes or by local transit systems) is amended—

(A) by striking out "tax-exempt passenger fare revenue" each place it appears therein and inserting in lieu thereof "commutation fare revenue"; and

(B) by striking out "(not including the tax imposed by section 4261, relating to the tax on transportation of persons)" each place it appears therein.

(10) Section 6421(d)(2) of such Code (relating to definition of tax-exempt passenger fare revenue) is amended to read as follows:

"(2) COMMUTATION FARE REVENUE.—The term 'commutation fare revenue' means revenue attributable to the transportation of persons and attributable to—

"(A) amounts paid for transportation which do not exceed 60 cents,

"(B) amounts paid for commutation or season tickets for single trips of less than 30 miles, or

"(C) amounts paid for commutation tickets for one month or less."

(c) EFFECTIVE DATE.—The repeal and amendments made by subsections (a) and (b) shall apply with respect to amounts paid, on or after the first day of the first month which begins more than 10 days after the date of the enactment of this act, for transportation which begins on or after such first day.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The next committee amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 7, after line 5, it is proposed to insert a new section, as follows:

SEC. 5. REPEAL OF TAX ON COMMUNICATIONS EFFECTIVE JULY 1, 1960.

(a) REPEAL.—Effective as provided in subsection (c), subchapter B of chapter 33 of the Internal Revenue Code of 1954 (relating to tax on communications) is repealed.

(b) TECHNICAL AMENDMENTS.—

(1) The table of subchapters for chapter 33 of the Internal Revenue Code of 1954 is amended by striking out

"SUBCHAPTER B. COMMUNICATIONS."

(2) Section 4292 of such Code (relating to State and local governmental exemption) is repealed.

(3) Section 4293 of such Code (relating to exemption for United States and possessions) is amended by striking out "and subchapter B of chapter 33".

(4) Section 4294 of such Code (relating to exemption for nonprofit educational organizations) is repealed.

(5) Section 6103(a)(2) of such Code (relating to publicity of returns and lists of taxpayers) is amended by striking out "subchapters B and D" and inserting in lieu thereof "subchapter D".

(6) Section 6415 of such Code (relating to credits or refunds to persons who collected certain taxes) is amended by striking out "4251," each place it appears therein.

(c) EFFECTIVE DATE.—The repeals and amendments made by subsections (a) and (b) shall apply with respect to amounts paid on or after July 1, 1960, for communication services rendered on or after such day.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

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

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum. I should like to proceed to third reading of the bill, but I suggest the absence of a quorum so that those who are interested in offering amendments can at least be present to offer them.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The bill is open to further amendment.

Mr. McCARTHY. Mr. President, today the Senate is considering a bill passed by the House, House bill 7523, which provides for a 1-year extension of existing corporate normal tax rates, and also for the extension of certain excise tax rates.

The Committee on Finance adopted one amendment relating to the excise tax on the transportation of passengers. It is my opinion that the action on this bill will constitute the major tax legislation of this session of Congress, and possibly of the next session of Congress. In any case, with the expiration date of the excise taxes pressing upon us, there is need for almost immediate action in the Senate, so as to prevent the lapse of such excise taxes.

So far as that section of the bill which deals with corporate profits taxes is concerned, it would be possible for us to delay action. The tradition has been more or less well established, however, to tie these two features together, and to grant an extension for a single year.

It is my opinion that the extension of these taxes on a year-to-year basis is desirable. I would not object to having some additional taxes included in this annual program, for several reasons.

First, it gives the Congress an opportunity to examine the tax structure and to make some changes and adjustments. In any case, under the present practice approximately $3 billion of revenue is subject to an annual review by Congress. If this amount were to be expanded by $1 billion, or possibly $3 billion, I think the situation might be improved.

The truth is that the one power Congress can still exercise effectively is the power to tax or the power to remove taxes. All of us know that in the field of appropriations the real authority and power of Congress is strictly limited, since most of the appropriations are called for by the necessity of circumstances, or because of requirements for money to carry out programs which Congress has already approved.

In other fields of legislation we have established broad policies which the executive branch of the Government expects to carry out, and a great deal of discretion is given to the executive branch of the Government.

I believe it was established in the debate on the confirmation of the nomination by the President for Secretary of Commerce that often there is a great difference between what Congress has legislated, and what is actually carried out by the executive branch of the Government. However, in the field of taxation, generally when Congress imposes a tax, the imposition of the tax is implemented by the executive branch of the Government; and when Congress repeals a tax, the tax is repealed, and the taxpayer very quickly learns what Congress has done, whether it imposes a tax or repeals a tax, whether it lays a tax burden on the taxpayers of the country, or whether it unburdens the taxpayers.

Mr. President, in the course of at least the last 2 or 3 years the question of taxation has received more and more attention, not only in the journals of trade and commerce and the special journals dealing with taxation; not only here in Congress, particularly in the committees which have the primary responsibility for taxation; but also more and more attention has been given to taxation, the problems of taxation, questions of justice and of inequities, problems of administration in the popular trust.

I think this is highly desirable, because in times when the Federal Government collects, in the way of taxes, approximately $70 billion a year, and when State and local governments collect between $35 billion and $40 billion or perhaps $45 billion a year, it is vitally important that the taxpayers and citizens of the country concern themselves about questions of justice, questions of equity, questions with regard to the consequences of the tax program which is in effect, and questions regarding the consequences of changes in tax policy.

Mr. President, in 1947, during the 80th Congress, a special tax study committee, under the chairmanship of Roswell Magill, was created by the House Committee on Ways and Means and its chairman, Representative Harold Knutson, of Minnesota. The special committee conducted a study and reported to the Committee on Ways and Means on November 4, 1947. The report recommended approximately 30 changes in the income tax law, both corporate and individual, and also about 15 changes in the estate and gift tax laws. Among the 15 principal recommendations for change in the income tax law were the following:

First, income splitting; second, liberalization of taxation of family trusts;

third, exclusion of dividends from income for purposes of individual income taxes.

I should like to make a special note of that recommendation, since it is the one to which an amendment I shall offer later in the course of these deliberations is directed.

The report also recommended, fourth, the broadening and extending of capital gains; fifth, the shifting of the burden of proof to the Government in cases charging corporations with improperly accumulating surpluses; sixth, relaxation of the tax law regarding fringe benefits, such as stock purchase plans, employee pensions, and the like; seventh, a change in the treatment of deductions, permitting accrual methods; eighth, accelerated depreciation; ninth, a liberalization of the tax laws applicable to firms doing business overseas through branches and subsidiaries.

These, in my opinion, were the 9 most important changes of the 30 which were recommended to be made in the income tax law.

In the field of estate and gift taxes, the committee recommended, among other things, the following:

First, the extension of time for which contemplation of death will be presumed to be nonoperative in the transfer of property; second, the removal of inequities between community and noncommunity property States, with regard to estate and gift taxes; third, the elimination of the premium payment test on life insurance in determining taxable estate tax base; fourth, the exclusion from the estate and gift tax of the interest of employees in qualified pension plans.

Serious objection to all of these 1947 recommendations was made by Mr. Matthew Woll in a minority statement which was filed in that year. Mr. Woll charged that the recommendations of the majority of the tax study committee, if enacted, would wreck the effectiveness of the surtax on individuals almost as devastatingly as any surtax scale revisions they might have contemplated." In other words, the graduated scale of income taxes, which is supposedly based upon the principle of ability to pay, he said, would be wrecked as devastatingly as any surtax scale revisions which might have been contemplated.

The purpose of the recommendations, he said, "seems to be to attain by indirect and complex methods the result of income tax cutting for the favored few which they do not dare recommend by an outright reduction in surtax rates. The recommendations of the majority regarding estate and gift tax amendments appear to be just as deliberately calculated to render existing laws ineffective and to still further reduce the revenue from estate and gift tax laws by sanctioning tax evasion."

Views similar to those expressed by Mr. Woll in 1947 were stated in the minority views signed by all Democratic members of the Committee on Ways and Means at the time of the passage of H.R. 8300 in March 1954. The minority views especially objected to the following provisions:

First, the exclusion of dividends from income for tax purposes. I may note that Representative BOGGS, of Louisiana, filed separate views on this one point, in which he disagreed with the position taken by the other Democratic members of the Committee on Ways and Means.

The minority views, in the second place, objected to the special tax treatment proposed for "so-called charitable trusts."

Also, they objected to the provisions regarding accelerated depreciation; to the elimination of the premium payment test for the taxation of life insurance on the estate of the insured; to the excessive liberalization of laws regarding special employee benefits; to provisions relating to improperly accumulated surpluses; to the special privileges which were given to corporations engaged in foreign business.

Mr. President, despite these objections and protests, the fact is that most of the major recommendations of the 1947 special committee have been adopted, either in whole or in part, and are today included in the tax law of the United States. Most of them were brought into the code in two major actions: first, in the 1948 revision of the Internal Revenue Code; second, in the 1954 revision of the Internal Revenue Code.

Income splitting was provided in the 1948 act. We might accept income splitting as defensible; at the same time, it should have been compensated for by some modification or adjustment in the rate scale itself.

Family trusts were given special status in the 1954 code. Dividend exemptions were included in the 1954 code. Capital gains treatment was extended especially in that act. Fringe benefits and procedures regarding improperly accumulated surpluses, graduated deductions, rapid depreciation, and special treatment on oversea income all were given favorable treatment in the 1954 code. The estate and gift tax recommendations of the special committee were honored in the 1950 amendments to the code, as well as in the 1954 revision.

As a result of these changes, as Mr. Woll predicted in 1947, the surtax rates have been effectively reduced to the point where economists and tax lawyers state that there is scarcely any graduation in income-tax rates above the level of $50,000 in annual income, and that the top rate paid on income, if all income is considered, is much closer to 50 percent than it is to 90 percent or 91 percent, which is deplored by those who advocate changes in the individual income-tax rates.

These provisions, taken together, in my opinion, are in large measure responsible for the size of the Federal debt and also for the size of the deficits which have been accumulated in recent years.

In addition, they have resulted in a dangerous economic imbalance in the tax structure, which continues to create problems for the economy of the United States.

I should like to note some of the points which were made in the minority views filed at the time when the 1954 revision of the Internal Revenue Code was under consideration in the House of Representatives. The general statement of the minority was that the bill embodied a much-needed revision of the tax laws, and they credited it with having deleted much obsolete language; with having rearranged, for clarity, ease of use, and for simplification, much of the code. To this extent, the bill was commended.

The minority views stated that the bill embodied far more administrative and technical changes in our tax laws, and that many substantive changes were made, and that in some instances those changes amounted to basic changes in the tax philosophy.

For example, under the guise of removing obsolete language and inequitable provisions from the tax laws, the bill reduced taxes substantially for corporations—actually for businesses, but primarily for corporations and for a few selected groups of individual taxpayers.

As a result of those changes, the 1954 act was much more than a simple recodification. The revenue losses as a result of that act were estimated at $1,397 million in the fiscal year 1955; and when the act was fully operative, the losses were expected to amount to between $3,500 million and $4 billion.

The effect of enactment of the 1954 act has been to reduce Federal revenue in the fiscal years 1956, 1957, 1958, and 1959; and if no change is made, we can expect that that act will result in a reduction of approximately $3 billion in the revenue for the fiscal year 1960.

Mr. President, I think it is obvious that if these estimates are correct and if that revision of the code had not been approved, in the year 1955, instead of a budget deficit of $4,200 million, the deficit would have been approximately $3 billion; and in the fiscal year 1956, if these estimates are correct, there would have been a budget surplus of approximately $4 billion, and again in the fiscal year 1957; and in the fiscal year 1958, instead of a budget deficit of approximately $3 billion, we might have expected a surplus of approximately $1 billion; and in the current fiscal year, instead of a deficit which will amount to approximately $13 billion, the deficit this year might have been reduced to approximately $8 billion; and in the overall period of the 4 or 5 years affected by that change in the revenue code, the budget would have been approximately in balance, and the increase in the Federal debt limit would not be necessary. It is also quite possible that we would not be faced with the increasingly difficult problem of financing the public debt of the Federal Government.

I should like to review some of the provisions of the 1954 code, as a result of which the revenue losses to which I have referred did occur.

It was claimed that more than half of the relief provided by the bill would go to the average taxpayer. I should like to point out, however, that that really was not the case.

The only reductions made by that act which could be considered as even—well, I will not say remotely, but I will say in some measure—in some measure of benefit to the average wage or salary earner were two: First, the allowance for deduction of interest charges on installment

purchases, which amounted to $10 million; second, the liberalized deduction for medical and dental expenses, which was estimated to total approximately $8 million.

Even in those cases, the average wage or salary earner would receive no benefit unless he were purchasing an item under an installment contract and unless his interest charges were broken down; or, in the case of the medical and dental expense deduction, if such expenses exceeded 3 percent of his adjusted gross income and if he had deductions in the other categories, such as contributions and so forth, amounting to more than 10 percent of his income. Otherwise, such a person would take the standard deduction of 10 percent.

I know that, at the time when the 1954 revision was made, the majority party took credit for permitting the automatic reductions in income taxes to take place, as scheduled, on December 31 of that year. So, in effect, if the majority party claimed a $7 billion reduction in taxes as a result of its action in 1954, when the bill became fully operative, the positive action taken by the majority party did amount to a reduction of between $3,500 million and $4 billion; and that reduction was in consequence of the expiration of the statute previously on the statute books. I assume that, if the majority party is going to claim credit for that, the majority party would also wish to take credit at the present time for having increased taxes by $3 billion, as the majority party proposed to do, through the extension of the excise taxes and corporate profits taxes as now provided by the pending bill, and also through the increases the majority party is recommending by means of additional excise taxes on gasoline users, both those who use gasoline on the highways and those who use aviation fuel.

Mr. President, a list of the benefits claimed, as a result of enactment of the 1954 code, for average taxpayers, includes the following—and these reductions are based on the fiscal year 1955 only:

First of all, for individual wage and salary earners, a tax reduction of $10 million, resulting from the change of the tax law dealing with interest charges on installment contracts.

In the case of the liberalization of medical expense deductions, $80 million.

For the specially selected categories, the new rule for the taxation of annuities was estimated to result in a tax loss of $10 million.

The exclusion of $1,200 of retirement income was estimated to result in a tax loss of $125 million.

The deduction for child care and expenses was estimated to result in a tax loss of $40 million.

The new definition and treatment of dependents was estimated to result in a tax loss of $85 million.

The new provision for the heads of families was estimated to result in a tax loss of $50 million.

All of the reductions in this category total $310 million.

The special individual relief to businessmen and farmers, for depreciation, was estimated to result in a tax loss of $75 million.

The soil and water conservation expense deductions, $10 million.

The total is $85 million.

Then there were four of what were called exceptional categories:

For the increased exemption for certain trusts, $3 million.

For the exemption of life insurance from the estate tax, $25 million.

For the dividend exclusion and tax credit, for 1955 only, $240 million.

For the increased charitable deduction, $25 million.

The total in this category is $293 million.

When we consider the total amount of tax relief which was involved in the 1954 act, it will be seen that the relief in the four categories I have listed benefited relatively few individuals, and that the amount of relief for individuals in itself was small.

Under exceptional categories, for example, only the high income tax payers—those who might be called well-to-do—would be benefited, because very few people in the low income brackets, for example, have any kind of special family trust. Such taxpayers operate pretty much on a month-to-month basis, and are not particularly concerned about trusts which have been in the family not only for one generation, but in some cases for two or three generations.

The exclusion of life insurance proceeds from estates of decedents would benefit only persons who were left estates of $60,000 or more, since the law already provided an estate-tax exemption of $60,000 to apply to the entire estate.

The exclusion of the first $100 of dividends from income, as provided and recommended by the House of Representatives, but later compromised to $50; and the credit against taxes of 10 percent of the remaining amount—which later was reduced to 4 percent—would have, if they had been continued, amounted to tax relief of approximately $814 million.

The bill as finally passed and approved provided tax reductions—because of these provisions—totaling approximately $400 million, instead of the $814 million which would have been provided if the House version of the bill had prevailed.

According to the bill as passed by the House of Representatives in 1954, the following tax reductions would have been given to corporations, for the fiscal year 1955 only: As a result of the depreciation provisions, $300 million; as a result of the net operating loss deductions, $100 million; as a result of the percentage depletion allowance, $27 million; as a result of the special accounting provisions, particularly those relating to the setting up of reserves and the use of the accrued method, $45 million; as a result of the special treatment of foreign income, $147 million—or a total, for the special relief of corporations, of $619 million.

The liberalized deductions for depreciation for corporations and others, assuming a continuation of the present tax rates and rates of investment, and ignoring the incentive factor, it was estimated, would have resulted in the loss of $22 billion by the year 1960.

These assumptions, of course, we can expect, would not be entirely correct because of the changes in the level of business activity. Nonetheless, the estimate of $22 billion as the potential loss, through the inclusion of the recommendation of these provisions, was quite close to reality.

It was the opinion of the minority in 1954 that this particular bill provided the wrong kind of tax relief; that, in effect, in the face of a Federal deficit in fiscal year 1954 of over $3 billion, and an anticipated one in 1955, or at least one which was realized, of $4.2 billion, and in the face of a rising cost of living, this particular deduction, or these changes in the Internal Revenue Code, were not justified.

At the time they were recommended, there was not really a shortage of investment capital. On the contrary, industry in the United States was adjusting very properly to the postwar period and to the new needs and new demands which were being placed on the American economy.

One of the consequences, in my opinion, of these changes in the tax structure was the encouragement of improper speculation in the stock market. And I think that, in part, the action taken in 1954 by way of changing the basic tax laws in this drastic manner has contributed significantly to creating the problem, which we now have, in which we find savings which are available for investment are not going into Government bonds or long-term investments, but, rather, are going into the stock market.

This action has been described in the following words: The approach of the administration at that time to the problem was somewhat different from the approach of the administration, for example, of Herbert Hoover. In the case of Hoover, it was really a matter of killing the goose that laid the golden egg, but in 1954 the administration did not kill the goose; it simply overfed it. The consequences were not quite so serious, but, nonetheless, they were serious.

I think all of us are generally familiar with what happened to the economy in the years following 1954.

Mr. President, in the course of the past few months Fortune magazine has been running a series of most constructive articles dealing with tax problems. One of them, by Mr. Robert Lubar, is entitled "A Plan for Tax Reform," which is described as an attempt to modernize an obsolescent system to increase the rewards for achievements and to balance the budget.

In order to accomplish these objectives he makes several important points. In the first place, he establishes that there are certain standards, or what he calls benchmarks, by which a tax program or a tax structure can be fairly and properly evaluated.

First of all, he says a tax system must pay the bills. Well, Mr. President, in the face of a $13 billion deficit for this fiscal year, I think we would have to say that by this standard the tax structure of the

Federal Government falls far short of what is desirable.

The writer of the articles points out that anyone who considers seriously the problems of taxation in this country and considers them in the light of the demands which are being made today, and the possible increase of those demands in the future, must accept the view that the present level of revenue must at least be maintained, and that possibly we may have to increase the amount of Federal revenues.

The second standard he sets up is that taxes must be reasonably easy to collect and hard to avoid.

Mr. President, I am sure he had in mind not real tax evasion, but the kind of legal evasion really accepted under the law, the kind of evasion which really is not to be condemned, because it is accepted in this country, at least, that tax law is to be interpreted to the advantage of the taxpayer. But, in any case, the tax should be such and the legislation which establishes it should be so drafted that the taxes would be fairly easy to collect and it would be difficult to avoid the payment of the taxes.

Third, he says that the tax system must be equitable. I would extend the statement somewhat and say that basic to that premise is the question of justice, what has traditionally, at least in the scholastic tradition, been described as communitive justice in the obligation of the individual to the State, the responsibility which he must bear and accept as a member of society.

The tax should be just. Mr. Lubar says the tax must be equitable. As I read his exposition of what he means by equitable, it comes to the same thing as if he had said it must be just.

A sound reform program, he says, should clear away the inequities and legislative favoritism which are likely to undermine the morale of the vast taxpaying public, which is now virtually the entire U.S. population, and which at the same time should make possible just rewards for merit and for achievement.

I point out that if we consider all the taxes which are imposed in this country, it is practically impossible for any one individual who is leading a reasonably normal life to escape paying some share of taxes.

I would say, Mr. President, that since basic to the Federal tax structure at least is the Federal income tax, it is vitally important that Congress be most alert and most vigilant to see to it that the situation does not arise with regard to Federal income taxes similar to what has happened with regard to real estate taxes which are imposed by State and local governments, in which, in the first place, in the case of real estate taxes, there is not established a full and true estimate of the value of the property taxed. There are assessment variations from one lot to the next, and from one block to the next, and from one quarter section to the next quarter section, in many cases without any justification.

The same is true, generally, with regard to the personal property taxes which are imposed. The full value is not revealed. The assessments are inaccurate. So there has developed a kind of attitude among the people that, "Well, really, this is not a serious tax."

Most of us are at least vaguely familiar with what has happened to taxes in countries such as France and in some of the other European countries, when the question of what one is going to pay and what one does pay becomes almost a matter of negotiated settlement. A condition is reached which is similar to the situation which existed at the time when there was in practice the old system of making a contract with a person to collect as much as possible from people living in a certain province or area.

We must be most careful not to permit this situation to develop in relation to the income tax of the Federal Government, or, for that matter, of the State governments. We can do this by being carefully attendant to these points: First, that inequities be removed.

Second, that the law be drafted so as to clearly establish the tax obligation of the individual taxpayers.

Third, we must have adequate and effective enforcement.

Mr. President, as Senators will recall, very recently when the Treasury Department appropriation bill was under consideration, the Senator from Pennsylvania [Mr. CLARK] proposed to increase the amount of appropriations so that additional internal revenue agents could be hired and those who were employed could be better paid. The Senator's object was to have more and better internal revenue agents in the field. I regret very much that this effort was not supported as strongly as it should have been supported by the administration.

Another area which has been under consideration is the area of abuses of expense accounts. Senators may recall that in February of last year, I think it was, the executive branch of the Government, speaking through the Treasury or through the Internal Revenue Bureau, announced it was going to tighten up on expense accounts and see to it that people who were taking deductions made proper entries on their tax forms. As a result of expense accounts, the Federal Government, in the case of corporations, was paying approximately 52 percent of certain expenses and costs which should not have been deducted.

Mr. President, that order was issued, or that announcement was made, something over a year ago. As of this time, there is very little evidence that anything has been done to implement it; that anything has been done to clarify it; or that anything has been done to enforce it very effectively.

In the course of the hearings on the proposed legislation which is now before the Senate, a question was raised as to whether the Treasury Department had any recommendations in this field. At least as of yesterday the Department indicated it was still studying the problem; it was deeply concerned about the problem, but had not yet reached the point of being able to specify changes in the code or any action which it was felt Congress should take to help meet the problem.

Mr. President, I know that the provisions in the code dealing with expense accounts and special deductions are not very specific. There is very little language dealing with the matter, and what language there is is most general.

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

Mr. McCARTHY. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. Did I correctly understand the Senator to lay down three principles—or was it four principles—which he felt should guide us in regard to tax legislation?

Mr. McCARTHY. I have spoken about three principles. First, the tax structure should be such as to produce adequate revenue. Second, the tax structure should be one which is fairly easy to enforce, on the collection of taxes, or one which at least makes it hard to avoid taxes. The third principle of which I spoke was that of justice and equity.

There is a fourth principle which I have not yet taken up.

Really, I am going to add a fifth principle. The fourth principle of which Mr. Lubar speaks in his article is that taxes must favor and encourage proper economic growth.

Mr. PROXMIRE. On the question of justice and equity, I understood the Senator from Minnesota to refer to State and local taxes. Did the Senator suggest that State and local taxes by and large, are not based on the ability to pay; that is, generally, with some exceptions, people's taxes do not go up in proportion to a rise in income, but on the contrary, as income increases the proportion of taxes paid to local and State governments is inclined to fall?

Mr. McCARTHY. The Senator from Wisconsin is quite correct. Most State and local taxes are much more regressive than the Federal tax structure. With the exception of those States in which a reasonably graduated income tax is provided, the regression is quite serious.

Mr. PROXMIRE. It is my understanding that a number of authoritative studies have been made. One which particularly comes to mind was made at the University of Michigan by a distinguished economics professor. The study showed that because of this inequity in our State and local tax structure, because of the fact that Federal excise taxes are also regressive—that is, they hit people with small incomes harder—and because of the fact that the corporation income tax to a very great extent hits the consumer at least as hard as it hits the dividend recipient, the overall impact of the tax structure in this country, if not regressive, is not progressive.

My point is that as a person's income goes up taxes should increase in greater proportion than income, if we are to have a truly progressive tax structure. I think this is something which cannot be stressed often enough. This relates to the amendments which the Senator from Minnesota and the Senator from Wisconsin are offering today.

I think the overwhelming majority of the American people have been told so often about the very great progressiveness of the Federal income tax that they think of taxes almost exclusively in terms of the Federal income tax.

Mr. McCARTHY. The Senator from Wisconsin is quite correct.

Mr. PROXMIRE. It is extremely important to stress this principle of justice and equity. In my judgment, although the other elements the Senator from Minnesota has mentioned—that is, the importance of having adequate revenue and the importance of having efficiency in collection—are essential, are important, and are basic, this is the most important element. This is the basic principle we must insist on constantly, that the tax system be just and equitable.

Mr. McCARTHY. The Senator is quite correct. That is the starting point. Whenever we undertake to consider any revision in the tax structure we should make this our prime concern. After we have come to some measure of clarity as to what is just and what is equitable, then, as practical men and as men who have to deal with real problems, we can begin to make compromises and concessions. Then we can beign to consider the question of revenue. Then we can begin to consider the question of ease of collection. Then we can begin to consider the question of favoring economic growth or bringing about certain socially desirable changes.

The Senator is quite correct. It seems to me this is the point, this is the benchmark, this is the standard which all too often in recent years we have neglected properly to consider—the question of justice and equity.

Mr. PROXMIRE. On the basis of justice and equity, is it not true that almost everyone who has thought, spoken, or worked on economic philosophy and distributive justice agrees that those whose incomes are high are better able to pay taxes than those whose incomes are low?

Mr. McCARTHY. The Senator is quite correct.

Mr. PROXMIRE. Does it not follow as the night follows the day that a man with a low income—in this day and age a low income would perhaps mean an income of $3,000 or $4,000 a year or less, for a man with a family to suport—has very little freedom after he buys the necessities of life and after he buys just barely enough to support his family? Such a man has very little freedom to do anything with his income, so if his taxes are, in proportion, the same as the taxes of a person with a higher income, his freedom to spend his income is very sharply inhibited. On the other hand, a man with a substantial income, of $15,000, $20,000, or $25,000 or more, after the necessities of life have been paid for still has a very substantial degree of freedom as to the disposition of his income.

Applying this principle, it would seem to me if we are to have any kind of justice or equity in our tax philosophy or our tax system it is enormously important to stress a progressiveness in our tax system, recognizing that there have to be limitations. We have to preserve incentives. We have to recognize that a highly progressive tax system, if it is excessively progressive, may defeat itself. Nevertheless, it is possible to improve greatly the progressiveness of our tax structure and at the same time to provide for the other criteria which the Senator from Minnesota so ably set forth.

I feel very strongly that the amendments of the Senator from Illinois, of the Senator from Minnesota, of the Senator from Pennsylvania, and my own amendments, strive to do exactly that, and I think they move significantly in that direction.

Mr. McCARTHY. I commend the Senator from Wisconsin for the observations he has made, and particularly for having introduced into this discussion such terms as distributive justice, commutative justice, and legal justice. It seems to me all the parliamentary bodies of the world—and particularly in those of the free societies, and of the free countries of Western Europe—must at all times give consideration to these basic concepts. We must clarify, first of all, our definition of them. Having done that, we should go on to make application of these concepts to the problems facing us, whether they be problems relating to taxation, problems relating to economic change in the institutions of business and finance, or problems relating to the whole field of the general social welfare.

Mr. President, I should like to proceed to speak about the fourth standard which was referred to in the article by Mr. Lubar. It is a standard not original with Mr. Lubar, but one which has long been recognized.

I must note, it is not recognized by everyone. I recall testimony by the former Secretary of the Treasury, Mr. George Humphrey, who appeared before the House Ways and Means Committee when I was a member of that committee and said that the only standard Congress had a right to consider in dealing with tax questions was whether the tax would raise sufficient revenue. Mr. Humphrey went so far as to say that questions of social welfare should not be taken into account in the consideration of taxes. He did not go quite so far as to say that questions relating to the effects of tax changes on the economy should not be considered, but it was quite clearly implied he did not really think Congress should attempt to pass any judgment upon the tax changes which he recommended, which he judged would be good for the economy.

He seemed to think it was all right for the Secretary of the Treasury to take this into account, but that Congress should not reconsider, or attempt to form any independent judgment; but he did say specifically that questions of social welfare were not properly to be considered and included in any consideration of tax changes.

I am sure that this is a concept which few of us would accept—that the taxes and tax changes should not take into account questions of social welfare. But on the matter of the principle of the benchmark of economic growth, the real hope of a tax change generally is that it will stimulate necessary economic growth. We must look forward to a time when the tax structure will be such as to bring about growth in an orderly fashion, and, of course, consider in all our deliberations the problem of inflation, the problem of stability of investment, stability of one's holding in money, and the instruments of credit and finance.

In order fully to realize or achieve this object in an economy which changes as rapidly as ours does, there will be need for continuous adjustment. This is the responsibility which rests primarily upon the Congress.

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

Mr. McCARTHY. I yield.

Mr. CLARK. I ask unanimous consent that I may suggest the absence of a quorum without the Senator from Minnesota losing his right to the floor.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Pennsylvania? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McCARTHY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. McCARTHY. Mr. President, the fourth benchmark for a sound tax program, which I was discussing before the quorum call was initiated, has to do with the relationship of taxes to economic growth and, along with that, the responsibility of Congress to develop a tax program which will stimulate economic growth and will direct it into proper channels.

There was a time when the amount of Federal taxes collected was very small. There was a time when the Fedderal debt was relatively unimportant in the total debt structure of the country. But that is no longer the case. Federal taxes now total approximately $70 billion. Consequently, the incidence of those taxes and the sources from which they are collected have an important bearing on the total economy of the country, in the same way that the handling of the Federal debt, totaling approximately $285 billion, has an important bearing upon monetary policy and monetary and fiscal and credit activities throughout the Nation.

Mr. President, after establishing those four basic standards, plus a fifth standard, which relates to general social welfare, and sometimes involves a kind of social control—as in the case of special taxes—and, on the other hand, a positive contribution to social welfare—for example, such as the provision for the family allowance and special consideration in the tax code for special needs of people and of society—the author of the article published in Fortune magazine refers specifically to the overhaul of the income tax, and points out a well-known fact—namely, that when the individual income tax returns are in this year, approximately 47 million Americans will have paid approximately $36 billion of Federal income taxes on wages, salaries, dividends, interest, and the capital gains which they either received or collected or realized this year.

Mr. President, after pointing out that approximately $36 billion is collected through the Federal income tax, the author of the article points out that the

U.S. income tax is perhaps the biggest engine of taxation the world has ever seen. Of course, we do not know the amount of taxes collected through the Soviet Union's concealed sales tax which is a kind of profits drainoff. But, so far as we know, the income tax of the United States is the greatest source of taxes anywhere in the world. Certainly it is the greatest source of taxes in the United States.

Mr. President, in the times when all Federal taxes amounted to very little, the question of inequity was relatively unimportant, and the question of the bearing of those taxes upon business and upon the financial and economic system of the country was also relatively unimportant. But in these days, when, as we have been pointing out, approximately $36 billion is collected through individual income taxes and when the total taxes collected amount to approximately $70 billion, and when we must anticipate that these heavy taxes will have to be continued for a long time, the question of equity and the question of justice and the question of the bearing of taxes upon the economy become extremely important.

The people of the United States in time of war, when great demands are made upon them, and when it appears that those demands will be shortlived, may do some murmuring and some complaining, but the general disposition is to accept such inequities, and for one man to be willing to sacrifice more or to give more than the next.

But in these times, which are described as cold war times, for which no one can really forecast any kind of terminal date, and when it appears that over a long period of time, perhaps even 10, 20, 30 years, these heavy taxes will have to be imposed, the question of equity, the question of justice, and the question of the bearing of the taxes upon the economy and the general welfare of the people become increasingly important and, therefore, deserving of congressional study.

Mr. President, the author of the article to which I have been referring in my remarks recommends that the deductions which are allowed in the case of individual incomes should be reduced to four. Such a comprehensive reform should still permit, he says, the $600 personal exemption for a wife and dependents, as well as for the taxpayer himself. Of course, the amount of that deduction might be increased. The author points out that this kind of deduction is vitally necessary in order to take the burden of taxation off the people in the lowest income groups, and that it is significant for even those who have incomes up to $10,000.

The second deduction which the author says should be continued is the one for charitable contributions. He points out that the revenue which would be gained from a removal of this deduction would be so trivial, as compared to the huge social loss which would result from discouraging traditional private support for charity and education, that, if anything, the deductions of this kind should be liberalized.

The author states that deductions for business costs should be retained in accordance with the principle that income spent for the purpose of earning income should not be taxable. However, I think all of us realize that careful definition of this deduction is necessary.

Next, the author of the article points out that State income taxes should continue to be deductible, inasmuch as removal of this deduction would intensify resistance to a useful and increasingly necessary method of raising State revenues.

The author next points out that medical expenses should, of course, remain deductible above some reasonable percentage.

Next, he states that capital gains should continue to be taxed at a lower rate than straight income, but that the capital gain should be redefined, so that it could no longer be utilized as a tax haven, or tax loophole, or tax shelter for what is really ordinary income.

In addition to that article which states those recommendations in regard to personal income tax reform, Fortune magazine has published an article which deals with the entire question of the taxation of corporate profits. The recommendations which are made in this area relate to the question of equity and to the question of the proper encouragement, stimulation, and direction of industrial and economic growth in the United States.

Mr. President, I recommend that all Members of the Senate make it a point to read this series of articles, beginning with the March 1959 issue of Fortune magazine.

Mr. President, the amendments which have been proposed and have been discussed, or which may subsequently be offered to the pending bill, will certainly not go very far toward solving the many and complex problems which exist in the tax structure of the United States. But each amendment that has been proposed has some bearing and some significant relationship to the four standards to which I have referred. The amendments will raise revenue, and therefore at least in part they will help us to realize the first standard, namely, that the tax structure and the tax system should raise sufficient revenue.

At least two of the amendments have significant bearing upon the second standard to which I have referred, namely, ease of collection and difficulty of tax avoidance. In that connection, I refer to the withholding provisions included in the amendment submitted by the Senator from Wisconsin [Mr. PROXMIRE]. The same is true of the amendment submitted by the Senator from Pennsylvania [Mr. CLARK]. That amendment deals with the question of expense accounts.

These amendments relate quite directly to the effect of the tax structure upon the economic growth; and, certainly, for that reason, the amendments are deserving of serious consideration. In my opinion, each one of the amendments which was discussed before the committee has significant bearing and relationship to the basic question of equity in taxation and the basic question of justice in taxation.

Mr. President, it is my opinion that there is really no better time than today—or tomorrow, if necessary, or the day after tomorrow—for the Senate to give consideration to these questions.

Mr. President, I yield the floor.

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

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

Mr. LAUSCHE. Mr. President, will the Senator from Pennsylvania withhold for a minute or two his suggestion of the absence of a quorum?

Mr. CLARK. Certainly.

Mr. LAUSCHE. Mr. President, I desire to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Ohio will state it.

Mr. LAUSCHE. I understand that this morning the Senate adopted, without objection, an amendment which would include in the bill provisions eliminating the excise tax of 15 percent on passenger transportation.

The PRESIDING OFFICER. The only thing the Senate has done this morning on the bill is to agree to two committee amendments, by voice vote.

Mr. LAUSCHE. Did one of those amendments provide for the elimination of the excise tax on passenger transportation?

The PRESIDING OFFICER. That is not a parliamentary inquiry.

Mr. LAUSCHE. Then I propound this parliamentary inquiry——

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

Mr. LAUSCHE. Yes.

Mr. WILLIAMS of Delaware. The action which has been taken is that the Senate approved the committee amendments, one which eliminated the passenger tax. However, I explain to the Senator from Ohio that many of us on the committee opposed that amendment on the basis that we did not think the Government could afford the $250 million revenue loss at this time. Later either an effort will be made to strike the amendment from the bill, or, if such an effort is not made in the Senate, it certainly will be made in conference. Whether the effort will be made on the floor or in conference to eliminate that provision will, frankly, be based on which position will be considered the stronger; but let the record be clear, that amendment was not accepted with an expression of approval by all members of the committee.

As one member of the committee I state that in my opinion it is inconceivable that we reduce taxes by $250 million in the face of a $12 billion deficit.

Mr. LAUSCHE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LAUSCHE. Although the committee amendments have been agreed to, it is still possible for the subject to be taken up on a motion to strike. Is that correct?

The PRESIDING OFFICER. The amendments were not accepted en bloc, but two committee amendments were agreed to by the Senate. However, the

Chair will state to the Senator from Ohio that they may be reconsidered.

Mr. LAUSCHE. I thank the Chair very much.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. PROXMIRE. Mr. President, the Senator from Minnesota has just delivered an excellent address on our revenue system. In the course of his remarks he set down three criteria to which, in his judgment, our revenue system should conform. One was adequacy of revenues. We all recognize how important that is and how imperative it is today, when a balanced budget obviously has a distinct relationship to the cost of living.

If we are to prevent inflation, one very clear and important way in which the Government can accomplish that result is by balancing its budget. We cannot do that, of course, if we are to meet the great obligations we have in the world today, especially for national defense, unless we have adequate revenues.

The second criterion the Senator from Minnesota suggested was ease of collection. This is a criterion which our Federal tax system meets quite well. However, by the amendment offered by the Senator from Illinois, the Senator from Pennsylvania, the Senator from Minnesota, and myself, we say that ease of collection by our revenue agents can be improved, and improved substantially.

The third criterion is equity and justice. As the Senator from Minnesota said, there can be no question at all that this should be the principal, essential criterion. Is the tax system just? Is it fair to all taxpayers? This is not simply a matter of saying that all people with equal incomes should pay the same tax, although that is very important and a part of what our amendments try to accomplish, but it is also a matter of having a tax system based as much as possible on the ability to pay. This has been the objective of reformers and liberals in Government for a long, long time. It may be that there is no single issue on which the liberals and conservatives part company more clearly and more distinctly than on the revenue system and on taxation based on the ability to pay. Since the time of Alexander Hamilton and Thomas Jefferson American liberals and conservatives have divided on this issue.

The success of the liberals in the American constitutional democracy is marked by the fact that at least on a Federal basis we have a generally progressive income tax.

As I tried to bring out in the course of my colloquy with the Senator from Minnesota, however, a number of studies by competent, responsible economists have shown that the American tax system, overall, is not progressive, and it may be regressive. The reason is that State and local taxes take a far larger proportion of the income of people with small incomes than of the income of people with large incomes.

I should like to give one or two examples. The principal source of revenue for our local governments and to some extent for our State governments is the property tax. The real property tax, at least, is the backbone of our property tax system. The real property tax is related to the value of the property which is being taxed, but it is not necessarily related to the income of the person who is being taxed. This means that a man who is living on a very modest income of $3,000, $4,000, or $5,000 a year in a house worth $8,000, $10,000, or $12,000 is likely to have to pay a property tax in the neighborhood of $150, $250, or perhaps $300. A man with a $30,000 annual income, which is 10 times as great, is likely to live in a house which is valued at, say $30,000. Instead of paying 10 times as large a property tax, pays only three times as large a property tax. So the property tax in the case of the example I have given would hit the man with a modest income three times as hard in proportion to income as it would hit the man with a large income.

This is even more true with respect to the sales tax, for several reasons. A sales tax is a tax, by and large, on tangible expenditures of consumers. The only income which is taxed by a sales tax is the income which is spent. Most studies show the persons with small incomes not only spend everything they earn, but they spend more than they earn. They go in debt. People with moderate incomes spend virtually everything they earn. People with large incomes save a large proportion of what they earn.

As a matter of fact, two-thirds of all the savings in this country are held by only 10 percent of the people. This means, of course, that the sales tax hits the person with a small income much harder, proportionately, than it hits the person with a large income.

This is also true, of course, with respect to the various Federal sales taxes, on some of which, such as the excise taxes, we are passing judgment today. It is certainly true to a very great extent of corporation income taxes. The corporation income tax on every utility is passed on to the consumers. The corporation income tax on many corporations which are in the oligopolistic or monopolistic industries, where management has the power to pass on costs to the consumers freely, is not borne by the stockholder, but is passed on to the consumers. Even in highly competitive industries, to the extent that the corporation income tax is universal and the corporate form is the virtually universal form of the competitors in the industry, the tax is universalized and is passed on to the consumers.

It is true that the Federal personal income tax is progressive, and very progressive, and in a sense I think it is too progressive. That is why I propose an amendment, to reduce the top rate from 91 percent down to 65 percent. I do not think this is contradictory at all, with what I have been saying, because anyone who has studied the personal income tax must recognize there are some people who simply cannot escape high tax rates because their income is largely a salary income. However, there are many other people with large incomes who have control over their assets and are able to receive their incomes in capital gains or able to receive their incomes in other ways which permit them to evade the high personal income taxes.

That is why the estimates made by the most responsible economists I could get to make estimates on my proposal show that even if we reduced the 91 percent top bracket on the personal income tax to 65 percent we would only lose $240 million in revenue a year. In view of the greater incentives this would provide in our economy, it might result in very little loss at all.

I think the progressiveness of our tax system has to be achieved by plugging the loopholes in the law, rather than by trying to rely on a 91 percent top income tax bracket, which is totally unrealistic and which simply assists smart, shrewd tax lawyers in persuading clients it is to their interest to hire such lawyers so that they can find ways to get around the tax laws.

The reason I am bringing up and discussing these criteria, Mr. President, is that every one of the amendments being proposed today by the Senator from Illinois, by the Senator from Minnesota, by the Senator from Pennsylvania, and by me will fulfill the criteria set forth by the Senator from Minnesota, and will advance in every single respect our revenue system. Every amendment will improve our revenue system.

For instance, the Senator from Minnesota [Mr. McCARTHY] proposes to end the dividend exclusion provision which was passed by the House of Representatives. Incidentally, this provision was overwhelmingly opposed by the Senate, but it was accepted in conference in 1954. It is interesting to note that the vote in the Senate rejecting the dividend exclusion provision was 71 to 13 in 1954, with an overwhelming majority of Republicans and Democrats voting against it. It passed in the House, and the conferees accepted it, so it became the law. This proposal cost the Federal Government a substantial amount of money. It is my understanding the estimate of the Senator from Minnesota is that we can raise $340 million by eliminating that exclusion, and by plugging that loophole in our tax laws. Certainly that would provide more adequate revenue.

Then there are the entertainment provisions. Perhaps I should refer to this as the modification of expense deductions in the income tax provisions. There are modifications proposed by the Senator from Pennsylvania, to prevent corporate executives and others from taking advantage of the income tax law and requiring the taxpayers to pay, in part, such expenses. As it is, the taxpayers of the country, via the Government, are paying for entertainment, at least in part, they are paying for liquor bills and theater bills and other expenditures of that kind, which are now accepted by the Internal Revenue Bureau as

necessary business expenses. Adoption of such an amendment would raise a substantial amount of revenue and would comply with the first criterion suggested by the Senator from Minnesota, which is adequacy of revenue.

The Senator from Illinois has proposed an oil depletion measure, which is designed to plug what is probably the most notorious tax loophole in our American revenue system. This proposal would raise several hundred million dollars, and would provide more adequate revenues. It would raise, on the basis of the Treasury estimates, as I understand the situation, about $300 million, while the Library of Congress says it would raise from $400 million to $500 million.

The amendment which I have proposed to the bill would not increase the taxes on anyone now paying his legal taxes, but would simply provide that stockholders and interest recipients would have their income taxes withheld at the source, in exactly the same way wage and salary receipents have their income taxes withheld at the source now. Again on the basis of the most conservative estimates I could get—and, incidentally, the Senator from Illinois, who is the Senate's outstanding economist, calls them, "very, very, very conservative," using exactly that number of modifying adverbs in describing the proposal—this would raise at least $540 million for our Treasury.

Therefore, all these amendments would provide more adequate revenues. In each case it is very clear that the taxes would be very easy to collect.

I believe that of the four amendments offered it is only against my proposal that any argument has been made that it might make it more difficult to collect the tax. I think I can show that the principal virtue of my proposal is that it would be far easier for the Federal Government to collect taxes on dividends than it is at the present time.

The final criterion suggested by the Senator from Minnesota was justice. There is no question in my mind, in view of the overwhelming evidence, that the overall tax system in this country is proportional, probably, and the argument can be made that it is quite a little more regressive than progressive—speaking of the overall tax structure.

Proposals to increase in every case the progressiveness of our tax are certainly just proposals. As as matter of fact, in every single case, in the judgment of the four of us—and I believe in the judgment of most other objective observers—these proposals would simply require that those who are not paying their fair share of taxes now, taxes which the spirit of the law would suggest that they pay, should pay their fair share of the tax burden.

The amendment which I intend to offer, to withhold individual income tax dividend and interest payments, is quite simple, but it has been subject to controversy. In order to get into the RECORD the most authoritative and responsible analysis that I think has ever been made of this proposal, I shall read extensively from a memorandum, or rather a series of memorandums, prepared by the Senator from Illinois [Mr. DOUGLAS] last year. I think it is very important, in the course of this debate, that Senators understand exactly what is being proposed, and how the amendment I intend to offer could not possibly injure anyone who is now paying his taxes in full. It would merely provide greater equity.

This memorandum is entitled "Withholding Individual Income Tax on Dividends and Interest Payments."

I read from the memorandum:

I. THE NEED FOR WITHHOLDING

A. Extent of dividend and interest gap

Virtually every study made of income reporting for the Federal individual income tax shows a significant gap between the amount of dividends and interest which should be reported and the amount actually reported on individual tax returns. The extent of this gap cannot be measured with precision for the following reasons:

1. The basic data are taken from the Internal Revenue Service's Statistics of Income, part 1, and the Department of Commerce series on personal income. Since the income concepts in these two sources differ, adjustments to reconcile these differences must be made before an estimate of nonreported income can be arrived at. While the character of those adjustments is fairly clearly established, the specific data required to express them quantitatively is not always available. For example, the commerce series includes in personal income dividend and interest receipts of nonprofit organizations and of self-insured corporate pension funds. Such receipts on behalf of individuals need not be reported in the individual taxpayer's return, and therefore must be subtracted from the commerce total as one step in arriving at the "to be reported" income-tax total. The measurement of these receipts, however, is imprecise at best, since no regular statistical series contains this information.

2. Even after the difference between the Commerce Department and Statistics of Income tables is approximated, there is a problem in allocating the remaining nonreported dividends between individuals required and those not required to file tax returns and then between taxable and nontaxable returns.

At this point I should say that this memorandum by the Senator from Illinois indicates why he called my estimate "very, very, very conservative." I said that some 20 percent might go to people whose incomes were so small that they would not have to file an income tax return, and therefore no withholding would be required. There would be no withholding to gain any money for the Treasury.

The Senator from Illinois pointed out—and undoubtedly with great wisdom—that nothing like 20 percent of the dividends go to people with such very small incomes. Statistics are overwhelming that probably less than a fraction of 1 percent goes to people with such very small incomes. Very few such people hold stock. Those who do necessarily receive small incomes. Their incomes would be no greater than $600 a year.

The total of dividends received by such people is very modest. I have seen some statistics by economists which suggest that in recent years 80 percent of dividends have been paid to less than 1 percent, or about 1 percent, of the population. So my estimate is very conservative, indeed.

I read further from the memorandum prepared by the Senator from Illinois:

Some of the nonreported dividends and interest, for example, undoubtedly are received by individuals with less than $600 in gross income (income tax definition of gross income) who need file no tax return. Some individuals with gross income less than $600 do file returns as a means of claiming refunds for taxes withheld on wages. At present, one can only guess at the amount of dividends and interest received but not reported by these individuals. In addition, some dividends and interest are received by individuals required to file tax returns but who pay no tax because their exemptions and deductions exceed their adjusted gross incomes. How much of the nonreported interest or dividend receipts go to people in this situation?

Recognizing these difficulties, it is, nevertheless, possible to make a fair approximation of the amount of dividend and interest income which should, but does not, appear on tax returns. Daniel Holland and C. Harry Kahn estimated the dividend and interest gap at $1.1 billion and $3.4 billion, respectively, for the taxable year 1952. About 13 percent of properly reportable dividends and 61 percent of interest receipts were not reported for that year. This compares with a 5-percent gap for wages and a 30-percent gap for entrepreneurial income (cf. Daniel M. Holland and C. Harry Kahn, Comparison of Personal and Taxable Income, Federal Tax Policy for Economic Growth and Stability, papers submitted by panelists appearing before the Subcommittee on Tax Policy, Joint Economic Committee, November 1955, pp. 313–338, especially pp. 318–320 and 336–337). The Holland and Kahn results accord closely with the estimates of Selma F. Goldsmith for the taxable years 1944–46 (cf. Selma F. Goldsmith, Appraisal of Basic Data for Constructing Income Size Distributions, Studies in Income and Wealth, vol. 13 (National Bureau of Economic Research, 1951)).

More recently, in a paper presented to the American Finance Association, December 29, 1957, Holland estimated the dividend "gap" for the taxable year 1955 to be about $1.235 billion, or about 12.1 percent of total dividend receipts adjusted for comparability with tax returns.

Dividends have increased very greatly since 1952, and even since 1955. So once again the estimates are conservative, in terms of present dividends.

I continue to read from the memorandum prepared by the Senator from Illinois [Mr. DOUGLAS]:

Even if one assumes that 20 percent of this "gap"—about $250 million—were the dividends received by individuals not required to file returns and/or by individuals required to file returns but not taxable (because deductions and exemptions exceeded income), there remains about $1 billion of dividends which should have appeared, but did not, on taxable individual returns in 1955.

Using the techniques developed by Goldsmith, Rechman, Holland, and Kahn, the interest gap for 1955 appears to be about $4.6 billion.

Once again the increase in this kind of income has been great. Between 1955 and today the interest income has increased more rapidly, by far, than any other kind of income; and if the interest gap at that time between the amount reported and the amount received was $4.6 billion, it must be in the neighborhood of $6 billion or $7 billion today.

Reverting to the 1955 figure, which, as I say, is much more conservative:

Again assuming that 20 percent of this amount was received by individuals not required to file returns and/or by individuals filing nontaxable returns, there remains about $3.7 billion of personal interest receipts which should have been reported, but were not, on taxable individual returns in 1955.

B. Revenue loss attributable to nonreporting of dividends and interest

Determination of the revenue loss involved in nonreporting of dividends and interest is complicated not only by the statistical vagaries in measuring the dividend and interest gap but also by the lack of persuasive evidence concerning the distribution by taxable income brackets of the nonreported income. The $1 billion dividend gap estimated above, for example, may imply a revenue loss as little as $150 million or as much as, say, $350 million (and conceivably the upper amount could be significantly larger).

The Bureau of Internal Revenue conducted an extensive investigation of the amount and kind of error appearing on individual tax returns for the taxable year 1948. This audit control program indicated some concentration of nonreporting at the lower end of the income distribution and, in addition, a relatively larger rate of underreporting at the lower than at the upper ranges of the income distribution. These results can hardly be taken as definitive, but suggest that the average effective rate which would be applicable to dividends and interest not now reported would be somewhat lower than that in fact applicable to reported dividends and interest receipts. Even supposing that the appropriate effective rate were only 20 percent in the case of dividends, however, nonreporting of this income in 1955 probably resulted in a $200 million revenue loss to the Treasury. If one applies a 15 percent effective rate (allowing for the effect of exemptions and deductions) to nonreported interest, the revenue loss in 1955 from this source appears to be about $475 million. Even allowing a 50-percent margin of error in computing the dividend and interest gap leaves a revenue loss of about $350 million. This amount should certainly be regarded as a rockbottom estimate.

Incidentally, this amount is higher, I believe, than the estimate I presented to the Committee on Finance when I appeared before that committee in favor of the amendment the other day.

I now turn to the reasons for nonreporting. This is the language of the memorandum; it is not the language of the junior Senator from Wisconsin.

C. Reasons for nonreporting

Three sets of reasons may be adduced for the failure of taxable individuals to report the full amount of their taxable dividend and interest income. The principal reason probably is deliberate evasion. Holland's most recent study of the dividend gap shows a good positive correlation of the size of the gap with tax rates over time. A second reason is honest forgetfulness.

I should be perfectly willing to say that most persons may very well honestly forget to include dividends in reporting their incomes to the Federal Treasury, particularly if their dividends are small. However, if the dividends are substantial, it is a little less understandable that they should forget, especially when the amounts are in the neighborhood of ten, twenty or thirty thousand dollars. Needless to say, it is the person who deliberately fails to report dividends who should be required to pay his tax in full. He will be primarily affected by the proposal we are making.

I continue to read:

It is a reasonable assumption, for example, that many taxpayers do not know and make no regular effort to determine the amount of interest credited to their savings accounts, and simply overlook this income item in preparing their tax returns. Taxpayers receiving relatively small quarterly dividends from a number of corporations, similarly, may easily forget one or more such receipts because of poor bookkeeping. A final reason for nonreporting may be ignorance of the law's requirements. The accrued interest on U.S. savings bonds, for example, need not be reported on the taxpayer's return until the bonds are redeemed. It is quite possible that many taxpayers are not aware that they must include such realized interest in their gross incomes for tax purposes. Conjecturally, some taxpayers may reason that since U.S. savings bond interest need not be reported until the bond is redeemed, it is not required to report savings account interest until withdrawn.

Whatever the reason for nonreporting of interest and dividends, a system of withholding on such incomes would contribute materially to improving compliance with the law's requirements. From the point of view of the taxpayer who is not a willing evader of the law, dividend and interest withholding has the positive virtue of assisting him to be as honest as he would wish to be.

In my State of Wisconsin, there has just been a big hassle about withholding the tax on wages and salaries. It is very interesting to me that a substantial majority of the working people, it seems, enthusiastically favor the withholding tax law. They do so for several reasons. I think most Americans want to be honest. It is easier to be honest when one can be told at the end of the year how much of his tax has been paid and is reminded of how much income he has received.

Furthermore, it is a matter of simple convenience. The taxpayer whose tax is withheld every 2 weeks or every month, or in some cases every week, while he misses the amount which is withheld, can become adjusted rather easily to the circumstances. On the other hand, when he has to pay his State income tax in one lump sum—many taxpayers having modest incomes must pay from $150 to $200 in one fell swoop when the tax is due—the burden is great and is very difficult to sustain.

Mr. President, many small wage earners in Wisconsin would be happy to have the withholding tax. It would be a convenience for them. It has meant that they have been able to avoid borrowing money at very high rates of interest. The interest rates on personal loans can be as high as 12, 15, and even 18 percent in some States, perhaps even higher. Very often people are forced to borrow money with which to pay their State income taxes today. They would be saved this necessity if there were a withholding tax.

Furthermore, I think a large number—perhaps most—of the dividend and interest recipients would be very happy to have the tax withheld at the source. It would save their keeping track of what they owe. It would save them bookkeeping and would assure them that their taxes were being paid. They would be saved, I believe, considerable annoyance. They would be saved the serious problem which exists for many persons who rely very largely on interest and dividends, particularly aged people.

They would be saved from the situation in which, human nature being what it is, they may not have adjusted the family budget to meet their taxpayments as the year goes along. They may have spent whatever they received—most of us do—only to find, when the taxes come due, that they have not saved enough to pay the tax on their dividends and interest. It is much more difficult to pay later than to have the tax withheld at the time when the income is received. This is true of the quarterly payment system which is at present in effect on the payment of Federal income taxes.

I continue to read:

From the point of view of the deliberate tax evader, withholding, by substantially reducing the rewards of dishonesty, might well produce a net gain in revenues above those from the withholding itself.

II. WITHHOLDING PLANS

Three major efforts have been made to provide for withholding on dividends and interest.

A. The 1942 plan

The first of these was in connection with the introduction of withholding on wages and salaries in 1942. The plan then proposed would have withheld tax at the rate of 10 percent on dividends and interest payments in excess of the amount of such payments determined to be nontaxable on the basis of withholding exemption certificates to be filed with the payor by the dividend or interest recipient. The paying corporation would have been required to file quarterly returns showing dividend and interest payments and to furnish the dividend or interest recipient a receipt for the tax withheld, very much like the withholding receipt provided wage and salary earners. When the dividend or interest payment was made to a nominee of the recipient, rather than to the recipient directly, the paying company was, nevertheless, to be required to withhold the tax.

In rejecting this proposal, major emphasis was placed on the compliance problems raised by the proposed requirement for a withholding exemption certificate. It was pointed out that a relatively much larger number of such certificates would call for no withholding of tax (whether or not tax was actually payable) than in the case of wage and salary certificates. The payor organization, it was argued, would incur substantial costs in soliciting exemption certificates from each stockholder or interest recipient of register on the payment date, in maintaining a file of such certificates, and in collating interest and dividend payments with the taxable status of each recipient.

Let me say that that objection is met completely by my proposal, because my proposal does not require that the payor of either interest or dividends supply the recipient of the interest or the dividends with a certificate.

I read further:

In addition, the proposed withholding scheme—

That is to say, in relation to the 1942 plan—

could hardly be applied in the case of coupon bond interest. Transactions in the coupons, it was argued, would not in all

cases involve the bond-issuing organization so that a substantial volume of such interest might be realized without opportunity for a withholding agent to withhold the tax due.

B. The 1950 plan

The proposal in 1950 would have provided for withholding tax at the rate of 10-percent from dividends only. No provision was made for exemption certificates, although certain types of payor organizations were to be exempt from the withholding requirement. The withholding company was to be required to provide the dividend recipient a withholding receipt although this might take the form of a notation on the dividend check or check stub of the amount of tax withheld. As in the 1942 plan, the paying company was to be required to withhold tax where the dividend payment was made to the shareholder's nominee. Provision for returns by withholding companies was to be made in regulations.

The 1950 plan was criticized primarily on the basis that it would require withholding on dividends paid to both nontaxable individuals and tax-exempt organizations. Moreover, it was argued, the plan would involve a good deal of expensive paperwork by the payor corporation with respect to very small amounts of dividend payments, a significant proportion of which would be nontaxable in any case. Furthermore, it was maintained that proper administrative procedures, for which adequate provisions were made in then existing law, would greatly increase taxpayer compliance. Specifically, the Bureau of Internal Revenue was directed to make fuller use of the information return, form 1099, which all payor corporations were required to file for all dividend payments in excess of $100. The administrative problems of collating such information returns many of which showed nominees or street addresses as payees, with individual tax returns, of determining any difference in aggregate dividend payments between amounts reported on the information return and those reported on the taxpayers' returns, and of determining the amount and collecting any tax due on the basis of such differences were not adequately or persuasively delineated to the taxwriting committees.

For example, take the not unreasonable case of an individual taxpayer owning shares, in, say, 10 companies, each of which makes a quarterly dividend payment. Some of these payments might well be below the minimum amount for which the payor is required to file an information return. Suppose, therefore, that 30 of the 40 payments involve the filing of an information return. Suppose, moreover, that in some of these cases, the taxpayer's minor child is registered as a co-owner of the shares and the dividend is addressed to the child. With an adequate investment in machinery, the problems of collating the information returns, of associating them with the taxpayer's income tax return, and of determining the amount of any tax deficiencies would not be insuperable. Such machinery was not available to the Bureau of Internal Revenue in 1950, however, and is not now.

C. The 1951 plan

In connection with the Revenue Act of 1951, the Treasury proposed withholding on dividends, interest, and royalties at a 20 percent rate.

The first two plans called for 10 percent. The 1951 plan was the first one in which a 20 percent rate was proposed.

I read further:

As in the 1950 proposal, no exemption certificate was to be filed by the dividend, interest, or royalty recipient, although certain specified classes of payments were to be exempt from the withholding requirement.

On this occasion, the Committee on Finance spelled out its objections to the plan in considerable detail (S. Rept. No. 781, 82d Cong., 1st sess., pp. 65–67).

1. The committee indicated that although there may be substantial underreporting of dividend, interest, and royalty income, it was not impressed by the results of the investigation presented to it and accordingly did not feel that a solution of the problem as drastic as that contained in the House bill was warranted. Specifically, the committee report pointed out that no information was available with respect to the number of persons receiving dividends, interest, and royalties who do not file a tax return. Accordingly, accurate information was not available with respect to either (1) the number of individuals now required to file returns and who would be required to file for refunds or (2) the number of individuals who should file returns but do not do so. "Information of this type is essential to any appraisal of the need and the desirability for legislation in this area."

The second objection by the Finance Committee to the 1951 House bill for withholding dividend and interest income was as follows:

2. Withholding would impose expensive administrative burdens upon withholding agents and would work great hardships on many taxpayers. This hardship would be particularly severe with respect to nontaxable individuals and tax-exempt organizations who would be deprived of the use of amounts of tax withheld until such time as claims for refunds were processed and refunds were paid. The committee observed that no adequate system for providing quick refunds had yet been called to its attention.

Incidentally, Mr. President, my proposal provides for quick refunds; and, of course, we have had vast experience with quick refunds on the present withholding tax.

I read further from the statement by the Finance Committee on the 1951 plan:

3. The 20-percent withholding rate would be applied to dividends, interest, and royalties without allowance of personal exemptions. This would impose greater hardship on recipients of investment income, particularly those with large families, than is involved in the withholding on wage earners.

4. Substantial administrative burdens would be imposed upon withholding agents even though the proposed plan would not require payor corporations to notify stockholders of amounts withheld from dividends. Thus payor corporations, in the interest of good stockholder relations, would in practice be required to indicate to dividend recipients why dividend payments have suddenly been reduced and what the amount of tax withheld was in each case.

5. The plan would have required withholding on royalty payments. The committee was skeptical of the need for withholding in this area and assumed that virtually complete reporting was the practice.

6. The Senate Finance Committee asserted that more effective use of the information returns then required by the law would substantially improve taxpayer compliance in reporting receipts of dividends and interest.

The legislative history of efforts to withhold taxes on dividends and interest shows the following major objections:

1. The extent of under- or non-reporting of dividend and interest income has not been accurately or adequately expressed by those favoring withholding.

2. Statistical investigations have not adequately revealed the type of problems with respect to underreporting of dividends and interest, on the one hand, and of overwithholding on dividends and interest, should a withholding plan be adopted, on the other.

3. Compliance problems for withholding agents would be very great even if the withholding plan did not require the payor to furnish payees with formal withholding statements.

4. Any withholding plan would require development of a system of quick refunds for dividend and interest recipients who are either not taxable or who would have too much tax withheld. No adequate plan for such quick refunds has yet been presented.

Those were the four main objections. In 1958, the Senator from Illinois made the following proposal:

III. A PROPOSAL FOR DIVIDEND AND INTEREST WITHOLDING

The principal stumbling block to withholding on dividends and interest appears to be the problem of avoiding overwithholding on nontaxable individuals and tax-exempt organizations without imposing substantial compliance burdens on dividend and interest payors. The 1951 plan went far in the direction of eliminating compliance burdens for withholding corporations by requiring no withholding receipt and no elaborate return form to be filed with the Government at the time of remission of withholding taxes. Elimination of the receipt and return form requirements, however, necessarily involved across-the-board withholding at a uniform rate on the gross amount of dividends and interest paid. This necessarily involved overwithholding on payments made to tax-exempt organizations, nontaxable individuals, and individuals the effective rate of tax on whose total income is less than the withholding rate.

A compromise between considerations of avoiding overwithholding on the one hand and minimizing compliance burdens for withholding corporations on the other, therefore, is highly desirable. The following plan might well represent such a compromise without sacrifice of substantial improvement in compliance by individual dividend and interest recipients.

A. The basic withholding plan would be identical with that proposed in 1951

The payor company would withhold a flat percentage of dividend and interest payments. At present tax rates, this withholding rate would be 20 percent, i.e., the first-bracket rate.

That was the proposal of the Senator from Illinois. My proposal is even more modest; it is for only 18 percent.

I read further:

The payor would not be required to keep records of each dividend or interest payment or of the amount withheld with respect to each payment. The payor would not be required to submit withholding receipts to the individual at the end of each quarter. The payor would remit to the Internal Revenue Service 20 percent of the gross dividend and interest payments made (subject to the exceptions provided in the 1951 plan: cf. Revenue Act of 1951, H.R. 4473, secs. 201–204). The dividend or interest recipient would make the following entries on his tax return: (1) the net amount of dividends and interest he received after withholding, (2) one-quarter of the net amounts received (i.e., if the withholding rate were 20 percent, the amount withheld),[1] (3) the sum of 1 and 2, which is the total dividend or interest received before withholding.

[1] If tax were withheld at 18 percent the amount of tax withheld to be reported by the taxpayer in this step would be 22 percent of the net dividend or interest receipt. The formula for determining this amount is T equals t_w divided by the quantity 1 minus t_w (net interest or dividend receipt), where t_w equals the withholding tax rate.

The taxpayer would compute his tax on his total taxable income including the amount in 3 and would take a credit against his final tax liability for the amount computed in 2.

B. The payor corporation would attach to the dividend or interest check, if the check were in an amount less than, say, $1,000, a simple refund claim form on which the dividend or interest recipient would indicate exemptions from tax or nontaxability either because of inadequate gross income, or deductions or exemptions in excess of income

The dividend or interest recipient completing this form would send it to the paying corporation, upon receipt of which the paying corporation would immediately refund the tax withheld. The quick refund, in other words, would be provided by the payor corporation rather than the Internal Revenue Service. The payor corporation would remit these refund claim forms to the Treasury quarterly as a basis for reimbursement by the Treasury for the refunds of overwithheld tax. The refund claim forms would then be used by the Internal Revenue Service as a check against individual tax returns. This would, of course, require elaboration of existing machinery for collating information returns with individual tax returns. Since such collating would be required only where the dividend or interest recipient actually claimed a refund, it may be fairly assumed that the magnitude of the collating task would be substantially less than that presently involved in tracing information returns to tax returns.

Further simplification might be achieved by requiring the payor corporation to attach refund claim forms only to the first quarterly or semiannual dividend or interest payment and to determine whether tax should be withheld on subsequent payments within the year on the basis of the dividend or interest recipient's response to the first payment.

The proposal to make payor corporation attach the refund claim form only in the case of dividend or interest checks in amounts less than the suggested $1,000 takes into account the fact that where dividend or interest payments exceed this amount the likelihood of overwithholding would be at best remote. In the case of interest payments this proposal might not materially reduce the load on the paying company in view of the likely concentration of interest payments at the lower end of the income distribution. In the case of dividends, however, providing that the quick refund mechanism would be available only with respect to dividends less than $1,000 could be expected to reduce paying corporations' compliance burdens quite significantly below what they would be if the refund claim form were to be attached to all dividend checks.

Admittedly this proposal would involve additional accounting burdens for dividend and interest payors. The magnitude of these burdens is clearly less than would be the case under a withholding plan involving filing of exemption certificates by the interest or dividend recipient. They are somewhat, but presumably only moderately, greater than those involved in the 1951 plan. The possibility of eliminating the overwithholding problem by use of this device while substantially improving revenue collections from dividend and interest sources, however, must surely be more persuasive than the modest additional cost which would be incurred by dividend and interest payors.

Withholding Individual Income Tax on Dividends and Interest Payments

1. Technical features in proposal for dividends and interest withholding

Since, with the exception of the provision for quick refund, the dividend and interest withholding proposal outlined in the principal memo is substantially identical to the 1951 plan, the technical problems discussed in connection with that plan should be reviewed in connection with this proposal.

A. Coverage

As originally proposed, the 1951 plan was to apply to virtually all dividend and interest receipts of individuals. As passed by the House, however, the plan excluded withholding on interest on bank deposits and series E bonds even though these are the most important sources of interest for individuals.

Presumably, the basis for these exclusions was the complaint received from bank representatives that withholding on savings account interest would discourage savings by individuals. It was also argued that withholding on interest included in redemption proceeds on series E bonds would be regarded by holders of E-bonds as a reduction in net interest yields and would, therefore, discourage E-bond sales.

Certain types of dividend and interest payments were specifically excluded from the 1951 plan either because the practical problems of withholding were too great or because the recipient was not generally subject to income tax. The specific exclusions were:

(a) Stock dividends or stock rights.

(b) Distributions to shareholders in connection with corporate reorganization and the redemption of outstanding stock.

(c) Dividends paid by Federal Reserve banks, Federal land banks, Federal home loan banks, and cooperative banks.

(d) Dividends paid by a corporation, all the stock of which is owned by one or more (a) governments; (b) political subdivisions thereof; (c) international organizations; or (d) wholly owned instrumentalities or agencies of any of the foregoing if such instrumentalities or agencies are exempt from tax.

(e) Dividends and interest paid by a foreign corporation.

(f) Dividends and interest paid by one corporation to another corporation if both corporations are members of the same affiliated group which is required to file a consolidated return for the taxable year, or which did file a consolidated return for the preceding taxable year.

(g) Interest payments by State and local governments.

(h) Interest payments made by individuals.

(i) Interest paid on open accounts, notes, and mortgages.

(j) Interest on equipment trusts.

(k) Tax-free covenant bond interest as defined in section 1451 (1954 Code).

(l) Interest and dividends subject to withholding under section 1441 (1954 Code).

(m) Dividends and interest on corporate obligations, issued prior to effective date of the withholding proposal enactment, paid pursuant to a lease under which the obligor is required by the terms of the contract to absorb the tax.

(n) Patronage dividends of cooperatives.

B. Withholding on bank deposit and series E bond interest

As noted above, withholding on bank deposit and series E bond interest was dropped from the 1951 plan on the basis that such withholding would discourage these forms of savings. The argument, in effect assumes that the volume of such savings depends on illicit tax exemption for their interest accruals rather than on the rate of such accruals. Whatever objections may be raised to withholding on this type of income, certainly no serious consideration should be given to this argument.

Little difficulty is to be anticipated in withholding on individuals' bank deposit interest. The bank would reduce credit to individuals' accounts by the amount of tax to be withheld. These amounts would, of course, be remitted to the Treasury by the bank. The computation by the individual on his tax return for the amount of tax withheld on bank deposit interest would be the same as in the case of dividends. All the individual taxpayer would need to know would be the net amount of interest credited to his account annually.

There was some fear in 1951 that withholding on series E bonds would involve mechanical difficulties. The Treasury, however, submitted a plan whereby banks and other agents authorized to redeem E-bonds would be provided with tables showing gross redemption values, the amount of interest included in this redemption value, the income tax to be withheld on the interest and net amount to be paid at redemption. For example, the redemption of a $50 face-amount bond at maturity would include $12.50 interest on which tax in the amount of 18 percent would be withheld, resulting in a net redemption of $47.75. The individual taxpayer would, of course, gross up the $10.25 interest (equals net redemption proceeds minus original purchase price of $37.50) in the same manner that he would gross up net dividends receipts.

Most individuals do not annually report the annual accrual of interest on series E bonds for tax purposes, but report the interest received upon redemption for the taxable year in which the redemption occurs. In the exceptional case in which the individual does report the annual interest accrural, the grossing-up procedure would, of course, overstate the total amount of interest to be included in the income in the year of the redemption. In such cases, however, the taxpayer would be permitted to make the necessary adjustments in reporting the interest received and would, of course, receive credit for the full amount of tax withheld upon redemption.

C. Treatment of tax-exempt organizations

One of the more strenuous objections raised to withholding on dividends and interest was that it necessarily would involve overwithholding on certain dividend recipients which were wholly tax-exempt by statute, such as religious, charitable, and educational organizations and pension trusts. The argument here was that such organizations receive substantial amounts of dividend and interest income so that withholding even at a modest rate, e.g., 18 percent, would deprive them of the use of funds until refund could be claimed. The cost of the funds loaned to the Treasury without interest, it was further argued, might be substantial.

Provision, therefore, would have to be made either for a quick refund of tax withheld on interest and dividend payments to these organizations or for nonwithholding on such payments. The argument was made, however, that dividend and interest payors would find it much too burdensome to withhold only on dividend and interest payments going to potentially taxable recipients and to refrain from withholding on those which were nontaxable.

To avoid both problems, the 1951 plan did not exempt the dividends and interest of tax-exempt organizations from withholding, but allowed these organizations to offset currently the amounts withheld from their dividends and interest against the amounts they withhold from their employees. For example, if during a given quarter, a university withholds $50,000 from its employees for income and social-security tax purposes and $30,000 was withheld from its interest and dividends, it would pay only $20,000 at the end of the quarter to the Government. In those rare instances where the amount withheld from a tax-exempt organization exceeds the amount it owes to the Government, the excess would have been refunded promptly at the end of each quarter.

While the tax-exempt organizations would have preferred to have had their dividends and interest exempt from withholding, this arrangement was clearly an adequate substitute for exemption. Tax-exempt organizations continued to oppose dividend and interest withholding publicly, but they acknowledged privately that the proposed system would avoid creating hardships for them.

The quick refund provision outlined in the principal memo would, of course, substantially eliminate this complaint of tax-exempt organizations. It would not, of course, meet the objections of payor organizations and admittedly would increase the burden of paperwork which they would carry. Whether this objection is really a serious one today, when so many dividend and interest payors use machine methods for making up their dividend and interest distribution, is certainly questionable. The quick refund provision would in any case involve a substantially smaller burden for the Federal Government by obviating the necessity for reconciling discrepancies in social-security tax payments with overwithholding on interest and dividend receipts of tax-exempt organizations.

Whatever modest increase in cost—and it would be a very, very modest increase in the cost—would be involved for the corporation in withholding the 18 percent, when the corporation did not have to send receipts to the recipients, would be a tiny fraction of the increase in revenue the Federal Government would receive. The vast experience every corporation in the country has had on withholding income from employees demonstrates this work can be done with great efficiency and with a very small, virtually insignificant, increase in cost.

WITHHOLDING INDIVIDUAL INCOME TAX ON DIVIDENDS AND INTEREST PAYMENTS

2. INTEGRATION OF DIVIDEND WITHHOLDING AND THE DIVIDEND-RECEIVED EXCLUSION AND CREDIT

This discussion of dividend and interest withholding has implicitly assumed the repeal of the present dividends-received exclusion and credit provisions.

That is the proposal in the amendment of the Senator from Minnesota [Mr. MCCARTHY].

If this assumption is rejected, the question will be raised whether withholding on dividends would not conflict with the present provisions permitting the individual dividend recipient to exclude the first $50 of his dividends and to claim a credit against his tax equal to 4 percent of dividends received in excess of the excluded amount.

Few major difficulties are anticipated in integrating dividend withholding with the credit provision. The single significant complication to be expected is the possibility that the exclusion and credit provisions would magnify overwithholding. If the proposal for quick refunds, outlined in the principal memorandum, were adopted, the overwithholding problem might in any case be regarded as minor. In addition, it is perfectly feasible to adjust withholding on dividends to take account of the likely effect of the credit on tax liability for a substantial proportion of the cases in which the taxpayer would not be permitted to claim the quick refund.

For example, with the present 4 percent dividend credit, the paying corporation would withhold at the rate of 14 percent (instead of 18 percent) on dividends. Of a $1,000 dividend, therefore, the individual recipient would receive $860 instead of the $820 he would receive if the 4 percent dividend credit were repealed. He'd report his net dividend receipt of $860, add thereto the amount of tax withheld which he'd find by multiplying the $860 net amount by 16 percent (equals 0.14 divided by the quantity 1 minus 0.14). The sum of the two would be his gross dividend. From this amount he'd deduct the $50 which may be excluded from gross income under the present law, including the remainder, with his other income for purposes of computing his tax liability before credits. From this tax he'd deduct the 4 percent credit, equal in this example to $38 (4 percent of $950), to find his liability after credit. Against this amount, he'd offset any advance tax payments he'd made, including the tax withheld on the dividend. The remainder would be the amount of tax or refund due him. These steps are presented in tabular form following (assuming a single individual with no dependents, using the standard deduction).

Mr. President, I ask unanimous consent that the table be printed in the RECORD at this point.

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

EXAMPLE A.—*No income other than dividends*

1. Gross dividend payable by corporations	$1,000
2. Less: Tax withheld at 14 percent	140
3. Equals: Dividends received by individual taxpayer	860
Dividends reported by taxpayer:	
4. Net dividends received	860
5. Add: Tax withheld=16 percent of $860	140
6. Equals: Gross dividends	1,000
7. Less: Dividend exclusion	50
8. Equals: Dividends included in individual's gross income	950
9. Less: Personal exemption and standard deduction	695
10. Equals: Taxable income	255
11. Tax at 20 percent, before credit	51
12. Less: Dividend credit at 4 percent	38
13. Equals: Tax liability	13
14. Less: Tax withheld	140
15. Equals: Refund due	127

Mr. PROXMIRE. Mr. President, I continue to read:

This example highlights the overwithholding problem in the case of the widow or orphan, so frequently cited, whose income is derived exclusively from property. (Assuming an average dividend rate as high as 5 percent, the individual in this example has $20,000 worth of stocks.) If the quick refund provision suggested in the principal memorandum were incorporated in the withholding system, however, the individual could and presumably would claim a refund from the paying corporation(s) at the time of the dividend receipt.

Mr. President, I ask unanimous consent that the table, example B, be printed in the RECORD.

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

EXAMPLE B.—*$1,000 of wages or salary*

1–8. Same as in example A.	
9. Income from other sources included in gross income	$1,000
10. Total gross income	1,950
11. Less: Personal exemption and standard deduction	795
12. Equals: Taxable income	1,155
13. Tax at 20 percent, before credit	231
14. Less: Dividend credit at 4 percent	38
15. Equals: Tax liability	193
16. Less: Tax withheld	200
17. Equals: Refund due	7

Mr. PROXMIRE. Mr. President, I continue to read:

In this example, the overwithholding is attributable solely to the fact that under present law, $50 of the dividends received are excludable from gross income. For a married couple owning stock jointly, the exclusion is $100. The maximum overwithholding on account of the exclusion is $14.

The table below shows the additional tax or refund due on selected amounts of dividends, assuming withholding at 14 percent to take account of the 4-percent dividend received credit, with selected amounts of nondividend income.

Mr. President, I ask unanimous consent that this table be printed in the RECORD.

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

Additional tax or refund due on selected amounts of dividends, assuming integrated withholding and dividend received credit[1]

Wages or salaries and amount withheld ( ) on such income	$100 ($14 withheld)		$500 ($70 withheld)		$1,000 ($140 withheld)		$10,000 ($1,400 withheld)	
	Tax liability	Additional tax due or refund ( )	Tax liability	Additional tax due or refund ( )	Tax liability	Additional tax due or refund ( )	Tax liability	Additional tax due or refund ( )
	A. Single person, no dependents							
0 (—)	----------	($14)	----------	($70)	$13	($127)	$1,683	$283
$1,000 ($60)	$67	(7)	$123	(7)	193	(7)	1,989	529
$2,000 ($240)	247	(7)	303	(7)	374	(6)	2,301	691
$5,000 ($780)	826	32	901	51	998	78	3,370	1,190
	B. Married person, 2 dependents							
0 (—)	----------	($14)	----------	($70)	----------	($140)	$956	($444)
$1,000 (—)	----------	(14)	----------	(70)	----------	(140)	1,154	(246)
$2,000 (—)	----------	(14)	----------	(70)	$6	(134)	1,365	(35)
$5,000 ($420)	$420	(14)	$476	(14)	546	(14)	2,067	247

[1] Assuming joint ownership by husband and wife of shares on which dividends are paid.

NOTE.—Tax computation assumes deductions equal to 10 percent of gross income after dividend exclusion.

Mr. PROXMIRE. Mr. President, I read further:

As this table indicates, the proposed integration of dividend withholding with the dividend credit will result in overwithholding when the effective rate of tax (tax liability dividend by adjusted gross income) is less than the dividend withholding rate. This results when allowable exemptions and deductions are large relative to adjusted gross income, and therefore may occur even when the dividend receipts are quite substantial. By virtue of the quick refund proposal, such overwithholding need not be troublesome in those cases in which the taxpayer has little or no tax liability. Nevertheless, some troublesome cases of relatively substantial overwithholding on relatively small total adjusted gross income may well remain. On the whole, however, the quick refund provision and the reduced withholding rate reflecting the dividend credit may be expected to confine overwithholding to quite limited proportions.

Mr. President, so much for what I think is a definitive memorandum on this whole subject, a memorandum prepared, as I said before, by the outstanding economist in this body, the Senator from Illinois [Mr. DOUGLAS]. This memorandum bears very directly on the proposal I have made.

Mr. President, I am about through, but I should like at this time to provide a full technical understanding, at least in the RECORD, of what I am offering, for if there is to be a unanimous-consent agreement, I want to make sure I have done everything I can to explain my amendment, which differs in some respects from what the Senator from Illinois offered last year, on which this memorandum is based.

This is the way the proposal I am offering would work:

The dividend or interest recipient would report on his tax return, first, the net amount of dividends or interest he received after withholding; second, 22 percent of the net amount received; and, third, the sum of the net amount received from the amount withheld computed, as indicated, in step 2. The taxpayer would then compute his tax on his total taxable income including the amount shown in step 3 and would claim a credit against his final tax liability for the amount computed in step 2.

For example, assume a corporation declares and pays a dividend of $100 per share. The dividend recipient would receive $82 after the tax had been withheld. On his return, the dividend recipient would report the $82 net dividend received. In step 2 he would add the $18 in tax withheld—22 percent times $82—and the sum of these amounts, $82 plus $18 or $100, would be reported as his total dividend income. He would then compute his tax in the ordinary manner upon his total income including the $100 dividend and claim the credit in the amount of $18 against this tax.

Mr President, I should explain that I am going into considerable detail and great pains to show how this amendment would work, because I understand the real objection to it—the only objection, as I understand—is that it might be difficult to administer. This is the only objection which experts of the Treasury Department or the tax experts consulted by the committee had to the proposal.

I think every American certainly recognizes that any measure which provides those who owe the taxes shall pay their taxes is in the interest of our Government and of our country. The only possible objection I can conceive of is that the proposal might be difficult to administer. For that reason I am laboring at very great length, I concede, to try to show that this proposal would work, would work quite simply, would work very effectively, would work without any real burden on the corporations involved and without any significant burden on the persons receiving dividends or interest, and would certainly work to the great benefit of our Treasury, which urgently needs the revenue.

It should be noted that this plan calls for no special forms to be filed by the dividend or interest recipient and very little additional calculation to be made by him in completing his tax return. Indeed, the required changes in the tax form would be very modest and would therefore involve little, if any, additional compliance burden for the dividend and interest recipient.

It should also be noted that the paying company would not be required to keep records, for this purpose, of each dividend or interest payment or of the amount withheld with respect to each payment. Nor would the paying company be required to submit a withholding receipt to the interest or dividend recipient. The additional compliance burden, therefore, for the paying company would also be extremely modest, requiring only a flat percentage deduction from the amount actually paid or distributed to the dividend or interest recipient and a brief return to the Internal Revenue Service of the amounts so withheld.

Even for a small company, this would be a very, very modest burden. Certainly for a large company it would be no burden at all. It would happen only 4 times a year, once every 3 months, so no one could complain that this would be a significant burden on the corporation or on the payor.

Mr. President, on three previous occasions the Treasury Department has sought legislation to deal with the problem of underreporting of dividend and interest income.

This, of course, was when we had Democratic administrations under President Roosevelt and under President Truman.

Plans for withholding were offered in 1942, in 1950, and again in 1951. Each of these plans was rejected primarily on the basis of certain practical problems. The plan which I offer today would overcome these practical difficulties while foreclosing a major area of tax evasion.

The principal problem cited in connection with the previous withholding plans was that it would involve withholding of tax on individuals and organizations which, for one reason or another, incur no tax liability with respect to the dividend or interest payment. The plan I proposed today would eliminate this difficulty by providing for quick refunds to such individuals or organizations of any tax withheld. The extraordinary success which the Internal Revenue Service has achieved in providing quick refunds of overwithheld taxes upon filing of taxpayers' annual returns but before audit of returns, clearly demonstrates that quick refunds for any taxes which may be overwithheld on interest and dividend payments is quite feasible. The dividend or interest recipient incurring no tax liabilities with respect to the dividend or interest receipt would be permitted to file a claim for refund immediately upon receipt of the dividend or interest payment, by completing and remitting to the district director of internal revenue a simple form showing the dividend recipient's name and address, the name and address of the dividend or interest payer, and the amount of the dividend or interest received. Use of this quick refund device would eliminate the objection to previous plans that many individuals and organizations without tax liability would be deprived of the use of the tax withheld upon their dividend and interest income for a fairly long period of time. At the most, under the quick refund plan, the dividend or interest recipient would have to wait about one-half a calendar quarter for refund of the tax withheld.

The second practical objection to previous plans for withholding on interest and dividend was that they involve substantial burdens on withholding agents. This objection should not have been particularly persuasive when offered in 1950 and 1951 since by that time every company or organization which would have been required to withhold on interest or dividends was then withholding on salaries and wages. Some specific types of cases were cited in which it was alleged the recordkeeping required in connection with withholding would add substantially to the companies' bookkeeping costs. In the intervening years widespread adoption of machine bookkeeping methods has robbed this objection of virtually all of its force. Apart from the bookkeeping facility made possible by these technological advances, however, the extent of the additional record or bookkeeping required by the withholding plan I am now proposing is very modest indeed. As already indicated, the withholding agent would be required merely to deduct a flat percentage of the payment to be made and file a return indicating the total amount of payments with respect to which tax has been withheld and to remit the amount of the withheld taxes.

The amendment that I propose would provide for certain exclusions from the withholding requirement. With respect to interest, the withholding provision would not be applicable to interest paid by a corporation to any government or political subdivisions, or wholly owned instrumentalities or agencies thereof, if the evidence of indebtedness in respect of which such interest is paid is owned by one or more of such governments, subdivisions, organizations, instrumentalities, or agencies. Withholding would not apply to interest paid to a foreign corporation, or any payment of interest to a foreign corporation not engaged in trade or business within the United States, a nonresident alien individual, any partnership not engaged in trade or business within the United States and

composed in whole or in part of nonresident aliens, or any foreign government or international organization.

With respect to dividends, the withholding provision would not be applicable to dividends paid under certain specified conditions or by certain specified organizations. These exceptions would not materially reduce the amount of dividends upon which tax would be withheld at the source. They would significantly reduce the administrative burden on the Internal Revenue Service, without, however, complicating the simple procedures described above for withholding agents.

The amendment also provides for conforming adjustments in the provisions of the present law dealing with declaration of estimated tax, which, on the whole, should simplify the declaration for many dividend and interest recipients.

I conclude this presentation by saying that I have taken time, while it was available, to explain in detail, as well as I could, the reason why it is feasibe, practical, and efficient to provide now for a withholding of the tax on dividends and interest payments. There is no question, on the basis of all the evidence available, that such a plan would work. There is no question that it would not be a burden on the payer corporations or institutions involved. It would not be a burden; as a matter of fact, it would be a convenience for the honest taxpayer, and a help to him.

There can be no question that it would very substantially increase the amount of revenue the Government would receive. We have estimated—and I do not know how we could be more conservative—that more than $500 million of additional revenue would flow. I point out that this would not impose an additional tax burden on any individual who is now paying in full the tax he lawfully owes to the Federal Government.

For that reason this proposal conforms with the excellent standards which have already been laid down by the Senator from Minnesota. It certainly would increase our revenues, and provide more adequate revenues. It would provide for ease of collection, which is the whole purpose of it. Instead of requiring field auditors to go out and check over carefully corporate and individual incomes, assess assets, and so forth, and determine whether or not people have been receiving interest and dividend income and not reporting it, there would be provided a very simple and easy method of collection.

Above all, this amendment, preeminently, would provide greater justice in our tax system, because the recipients of interest and dividends, by and large, are people with substantial incomes.

Every study that has been made has indicated that the overwhelming majority of interest and dividend payments are made to people in the high income brackets.

Finally, the amendment would provide greater justice because it would prevent the tax avoiders from evading taxes at the expense of the honest taxpayer.

Mr. President, I yield the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CLARK. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. CLARK. Mr. President, something over 3 months ago, on March 5, 1959, I addressed the Senate on the subject of the program for the 86th Congress. At that time, I stated that obviously no one Senator could be so presumptuous as to lay down the program for the 86th Congress. But I did have the temerity to suggest a program which I hoped Senators would consider and which I felt might lead us out of the difficulties in which I believed the President's program had placed us. I quoted the words of Lincoln, which in turn had been quoted by Carl Sandburg at the joint congressional ceremony commemorating the anniversary of the birth of Lincoln:

> The dogmas of the quiet past are inadequate for the stormy present. We must think anew, we must act anew, we must disenthrall ourselves.

I criticized the President's program as leading inevitably to a steady decline toward a second-class America, an America incapable of leading the defense of freedom in the world, and into social, political, and economic injustice at home. I suggested that to believe we could have a secure national defense and a sound and prosperous America with a budget of $77 billion was little short of folly.

I discussed various areas in which I felt it was essential that Congress should appropriate more money than the President had requested. First among those areas was that of national security. It seemed to me then, and it seems to me now, that we are losing the race for atomic missile equality; that we are losing control of the seas to the Russian submarines; that we have not pushed our anti-submarine defense to its needed potential; that we have an inadequate airlift to transport Marine and Army divisions to places where brush warfare might break out; that we have reduced the strength of the Marine Corps below the point of safety; that we have reduced the mobile Army divisions below the point of safety; and that this was dangerous for us to do in terms of national security.

I quoted from the Rockefeller report of a year ago which said:

> Programs of great importance to the United States security now suffer from insufficient funds.

The recent military expenditures are, therefore, insufficient to maintain even our current force levels, and conditions have made clear the inadequacy of those levels. The price of survival, then, is not low, but we can afford to survive.

Mr. President, I have had no occasion since that day to change my views respecting our national security needs, nor would I think that developments, either in Europe, the Middle East, or the Far East, could lead an objective observer to the conclusion that we have a lesser need today for adequate arms strength than we had then.

I suggested at that time that the 1960 budget needed a minimum of $2 billion of additional appropriations to shore up the national defense in the areas I have just indicated.

Looking back on that situation today, I fear I was unduly conservative. Probably we need more than that amount to maintain the national defense security.

Despite the ridicule to which it has been unjustly exposed, I believe the recent report of the Democratic Advisory Council, dealing with our national defenses, is sound. It calls for an immediate expenditure for defense purposes of vastly larger sums than I have indicated. I am happy to note that it was commented on by so distinguished a commentator today as Mr. Walter Lippmann.

Mr. President, I ask unanimous consent that Mr. Lippmann's article, published in the Washington Post and Times Herald today, be printed at this point in the RECORD.

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

DEBATE ON DEFENSE

(By Walter Lippmann)

Last week the Democratic Advisory Council issued a long pamphlet dealing with national defense. The worst thing that can be said about it is that it is sponsored by a political party, or rather by a faction of a political party, and that it will, therefore, be heavily discounted. This is a pity. For, disregarding a few unnecesary and extraneous partisan phrases, the pamphlet deserves a vary careful reading.

There is a large literature already existing which is critical of our defense policy. Having read a good deal of it, I would venture to say that this pamphlet is much the best in its field, evidently quite expertly informed, reasonable and civilian in its temper, and lucidly written.

It ought not to be brushed aside as a partisan document. For, in fact, the argument it makes has the support of large numbers of Republicans, especially of those who have paid close attention to the problem of defense, and of many of the military men who by common consent are leaders in military thought. Moreover, the pamphlet is not a Democratic Party document since there is no reason to think that the present Democratic leadership in Congress agrees with it.

The two main points of the pamphlet are familiar enough. The first one deals with the missile gap which, on the admission of Secretary McElroy, is likely to bring it about that in the next 3 years the U.S.S.R. will have in intercontinental ballistic missiles a supremacy of 3 to 1. This could mean that during these years the U.S.S.R. would be theoretically capable of knocking out the bulk of our Strategic Air Force. The pamphlet does not say that the U.S.S.R. would or is likely to, try for such a Pearl Harbor. But it is right in saying that the existence of this theoretical power would have an important effect on the political relations between the West and the Communist powers.

The other point, which is also familiar, is that defense cannot be allowed to depend solely on nuclear weapons—the big ones which are suicidal or the small ones which would be devastating to our allies and to the uncommitted countries.

The pamphlet contains a carefully reasoned and persuasive argument why expenditures should be increased to close the missile gap and to increase our conventional forces.

What interested me most in the pamphlet, given the fact that it was written under the auspices of Mr. Dean Acheson, was the illuminating candor with which it explains how things have changed since the Truman administration. The critical change is this: Our original strategy in NATO was based on our possession at the time of a monopoly of nuclear weapons. Under those conditions, a small ground force backed by the irresistible power of the Strategic Air Force was quite sufficient to hold in check the enormously superior masses of the Red Army.

Our monopoly was broken by the Soviets in 1949 and this has brought with it, as the U.S.S.R. developed its bombs and its missiles, a radical change in the balance of power. We are far from being defenseless against this new might of the Soviet Union. But there is no doubt that our allies in Western Europe and our client states in Asia are far more vulnerable than they were 10 years ago. This could have serious political consequences, if the missile gap is allowed to become so wide that this country, which is the ultimate protector of the non-Communist world, becomes itself highly vulnerable.

No matter what it costs, this must not be allowed to happen.

It would be a very useful thing if the administration issued a thoroughgoing, fully considered reply. This would not be easy to do because within the Pentagon and within the administration itself there are so many who agree with the pamphlet. But it would be a true public service if the President, who does not agree, would see to it that there is a reply.

Mr. CLARK. Mr. President, I indicated on March 5 the need to increase our Development Loan Fund. I pointed out that that would cost more money than the President had indicated would be needed. That need is greater today than ever before. I am happy to note that the Committee on Foreign Relations has submitted a report calling for the establishment of a Development Loan Fund on a long-term, 5-year basis. I heartily support the position taken by the Committee on Foreign Relations. I believe we should appropriate for the Development Loan Fund, not only in the coming fiscal year, but also thereafter, every cent which the Committee on Foreign Relations recommends.

I noticed in today's newspapers that the President has endorsed the recommendations of the Draper Committee for placing defense expenditures for our allies under the mutual security program on a relatively long-term, 5-year basis, at a figure substantially in excess of that contemplated at the time when Congress received the budget. I should like to feel that military aid to our allies could be cut; but certainly there is nothing in the present world situation, either at Quemoy, Matsu, or Formosa, or in the Middle East or in Berlin, which would lead one to conclude that we do not need to set our hearts, our minds, and our pocketbooks toward meeting the goals which the Draper Committee recommends.

Accordingly, Mr. President, I conclude that today there is perhaps an even greater need than I thought there was on March 5 to increase the appropriations in the field of economic aid, defense support, and military assistance for our allies, and that this need is probably going to continue for the foreseeable future, and will require greater appropriations than those the budget calls for.

At the same time, Mr. President, I examined our domestic programs, which are so necessary to our domestic well-being and to our ability to hand over to our children a first-class America. I pointed out the need for vastly increased appropriations, at the local, State, and National levels, in aid to education. My colleagues probably are a little tired of hearing me reiterate, day after day, here on the floor that twice as many babies were born in 1956 as were born in 1936 in this country, but that we are making very little progress toward providing the schools, the teachers, the libraries, and the laboratories which those children will need and the scholarship funds they will need if they are to attend graduate schools. Certainly, all those needs will exist in the future.

I pointed out that in Russia every boy or girl receives a free education, provided by the Government, all the way through graduate school, as he or she follows the educational process up to the point of engaging in whatever career the totalitarian rulers decide they want Ivan Skovolski or his sister to follow; and I also pointed out that we are not doing the best we can to provide the necessary aid for education, and that we should mobilize our best brains in that effort, which is so important in connection with the cold war, and that certainly we cannot do that without spending more funds at the Federal level, and that if that is done we shall break the budget.

I suggested that we would need to spend a minimum of $1 billion for Federal aid to education in 1960, and that probably we would need to increase that amount thereafter.

Mr. President, today I see no reason to change the views I expressed on March 5, even though it may well be that various forces which, in my judgment, do not have at heart the national interest—although they may be sincere, I am sure they are mistaken—may prevent us from passing at this session of Congress the kind of aid to education bill that is so desperately needed in the national interest. In fact, Mr. President, we cannot pass very much of an aid-to-education bill at all if we are going to stick to this fantastic $77 billion budget.

I went on to discuss our problems in the field of housing and urban renewal.

Recently we passed a watered-down housing bill which contained inadequate provisions for urban renewal. The House has passed that bill; and it has been sent to the President, for his signature. The press is full of articles about rumors that the President will veto that bill. If he does, I believe we do not have sufficient votes to pass the bill over his veto—although I hope I am wrong. But, Mr. President, somehow we will get out of Congress a housing bill that the President will sign; and in 1960 it will cost hardly any money, and it will cost very little more in 1961. But let us face the fact that thereafter it will cost more money, and we must provide the funds which are necessary in order to carry on that effort.

When I spoke in March, Mr. President, I had high hopes that the airport bill which had been passed by the Senate early in the session, and provided authorizations of $400 million for 4 years, would be looked upon with favor by the House of Representatives, and would be passed by the House; and I hoped that then the President would sign it. I was disappointed in that regard. The airport bill which was passed is, in my judgment, inadequate to meet the need. Some 35 cities in my Commonwealth are desperately in need of safety at their airports. Our mountains and our fog and the character of our local airplane service demand a larger expenditure of State and Federal funds to make our airways safe. However, by means of the bill which has been passed, that will not be done. Nevertheless, Mr. President, the need exists.

I also spoke of the need for funds for depressed areas and for area redevelopment. I am still hopeful that the House of Representatives will pass that bill, and that in the conference it will be possible to agree on some happy compromise as between the bill which was passed by the Senate and the bill which was passed by the House, and that it will be possible to send to the President a bill which either he will sign or, if he vetoes it, that we can pass over his veto, or, if we cannot do that, that we can obtain some program which will be satisfactory to him. Certainly it will cost more money, in any event.

I also discussed the need for additional expenditures on our essential water resources—expenditures for flood control on our rivers; for pure water, and plenty of it, for our cities; for the dredging of channels to our inland ports; the need to make provision for recreational waters; and the need to provide for developments in the interest of fish, game, and wildlife—in short, all the needs we have in connection with the development of our essential water resources. These also call for expenditures by the Federal Government.

I hope some bills of that sort will be passed, Mr. President. I think they will be passed. Certainly this body has crossed the bridge as regards not being willing to authorize any new starts. Certainly this body has crossed the bridge as regards not being bound by the President's budget, in terms of failing to create wealth in our river valleys and thus increase the well-being of our people and the taxable income which can come into the Treasury.

I spoke of the needs in regard to the developments in space and in regard to the developments in research in connection with atomic energy; and I indicated my view that the appropriations provided in the President's budget are inadequate.

I spoke in terms of health and welfare and the need for additional appropriations in that area.

Mr. President, I was happy to participate in the passage yesterday by the Senate of a Departments of Labor, and

Health, Education, and Welfare appropriation bill which went well above the President's budget ceiling.

Mr. President, all of these are crying and continuing needs of our economy and of our national safety and security. We need more money for all these purposes. I pointed out then, and I reiterate now, that there are wide areas where substantial economies can be made and where waste can be eliminated. Efforts to do that have been made in the last several months. The level of the appropriation bills, as those that have been submitted to us by the President, has been substantially decreased.

There is enormous waste in the Defense Department. Whether the Congress can ferret it out, I do not know. But certainly we should make the effort to do so. How much money we can save, I do not know, either. I hope it will amount to several hundreds of millions of dollars.

I pointed out that our farm program is unduly wasteful, and that the brains and abilities of the Senate could well be devoted to providing for our country a sensible farm program which would do the farmer much more good than is done by the present discredited farm program. However, Mr. President, I fear that we shall not obtain much help from Secretary Benson and his staff. They are so tied down with the present discredited farm program that they have little opportunity to develop a new program. Of course we shall look to them for help and assistance. But in both Houses of Congress there are plenty of able representatives of the farm States; and I refuse to abandon hope that the 86th Congress will devise and pass a bill for an intelligent farm program which will save the taxpayers who live in the cities a great deal of money, and will also enable us to keep the family size farms going, and will constitute substantial economy in terms of our national budget.

When all this is said and done, Mr. President, we are still going to be $3 billion or $4 billion or $5 billion short of the funds we need for adequate national defense, appropriate aid to our allies, and essential domestic programs.

So we come to the question of how we are to raise that money.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Pennsylvania yield to me so that I may suggest the absence of a quorum, with the understanding that I may submit a unanimous-consent request when the quorum call is concluded, and that the Senator from Pennsylvania will not lose his right to the floor?

Mr. CLARK. I am glad to yield to the Senator from Texas with that reservation.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a qourum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. JOHNSON of Texas. Mr. President, I announce that in 3 or 4 minutes I hope to be able to propose a unanimous-consent agreement, because I want to propose it immediately after a quorum call, or as shortly thereafter as I can.

The PRESIDING OFFICER. The Senator from Pennsylvania has the floor.

Mr. CLARK. Mr. President, I am about to read the financial policy plank in the Democratic Party platform for 1956. I read:

> A fully expanding economy can yield enough tax revenues to meet the inescapable obligations of Government, balance the Federal budget and lighten the tax burden. The immediate need is to correct the inequities in the tax structure which reflect the Republican determination to favor the few at the expense of the many. We favor realistic tax adjustments, giving first consideration to small independent business and the small individual taxpayer. Lower income families need tax relief; only a Democratic victory will assure this. We favor an increase in the present personal tax exemption of $600 to a minimum of at least $800.

Mr. President, I take that platform seriously. I ran for election on it. I won based on it, in part, by a vote of 50.4 percent of the Pennsylvania voters who cast their votes, in the face of an Eisenhower landslide of over 600,000 votes.

Mr. President, the Democratic national platform of 1956 is, in my judgment, a commitment for all Democrats who ran on it. I certainly consider it as such.

I wonder, Mr. President, in the light of the comments I have just made on the subject of our national defense and the domestic needs, how we can possibly meet any of those commitments. I think it can be done in part. I think the place we have to start is by closing tax loopholes.

I reiterate that the platform says:

> The immediate need is to correct the inequities in the tax structure which reflect the Republican determination to favor the few at the expense of the many.

The four amendments which are being cosponsored by the junior Senator from Minnesota [Mr. MCCARTHY], the senior Senator from Illinois [Mr. DOUGLAS], the junior Senator from Wisconsin [Mr. PROXMIRE], and by me, all have as a purpose the providing of revenue which, first, will enable us to balance the budget; second, will permit us to expend necessary sums for national defense and the domestic programs; third, will permit a payment on and a reduction in the national debt; and, fourth, will permit us to pass a comprehensive tax adjustment bill which will carry into effect the pledge of our platform.

Mr. President, even this program will not be effective unless we can get national growth back on the road. I have spoken so often on that subject recently that I shall not bore my colleagues again, other than to say it is perfectly clear that in the 6 years of the Eisenhower administration national growth on a per capita basis, using constant dollars, has been only slightly in excess of 1 percent. We have to get that growth back on the road if we are to get anywhere in stabilizing the economy.

Mr. President, the Senator from Minnesota and the Senator from Wisconsin have both completed their outlines of their tax loophole closing amendments. I should now like to explain mine. It is my understanding that the Senator from Illinois [Mr. DOUGLAS] will follow me in outlining his. Once that has been done I think we would all like to cooperate in a reasonable unanimous-consent agreement with the majority leader, but we feel it must be done before we make any such agreement.

Mr. President, I have sent to the desk, and will, at an appropriate time, call up for consideration, a tax loophole closing amendment which deals with expense accounts or what is colloquially known in business circles as "a swindle sheet."

In this connection, Mr. President, I noted with pleasure an editorial published in this morning's Philadelphia Inquirer entitled "Costly Tax Dodge," which I am happy to see endorses the position I have taken in this regard. I ask unanimous consent that the editorial may be printed in the RECORD at this point in my remarks.

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

COSTLY TAX DODGE

In urging the closing of expense account loopholes in Federal income tax laws, Pennsylvania's Senator JOSEPH S. CLARK has spotlighted a widespread and costly abuse.

In testimony before the Senate Finance Committee, CLARK pointed out correctly that the loopholes benefit a privileged few in business who use tax-exempt expense accounts to pay for plush entertainment, lavish gifts, and even African safaris.

It is well known that a certain type of businessman will brag of his ability to act the part of a big-time spender in night clubs and luxury restaurants, in trips to Europe, and other foreign climes and in other extravagances, while treating the total expense as a deductible item in his income tax reports. Senator CLARK has mentioned deductions allowed by present tax law on funds used for the exchange of expensive gifts between Hollywood film executives and for parties at the Kentucky Derby and the New Orleans Mardi Gras.

An amendment he supports would make expense payments nondeductible if used at night clubs, theaters, and sports events; to maintain yachts and hunting lodges; or to pay for gifts, club dues or for travel to conventions outside the United States.

Some of the expense account boys will doubtless denounce the amendment as an infringement of their standards of living and spending. They may even have to cut down on their night life and give up a yacht or two.

This is too bad. They have had their fling. It is about time the excesses of tax-deductible expense payments are curbed by law.

Mr. CLARK. Mr. President, while the wording of my two amendments is different and while there are certain technical problems involved as to exactly how the technical language is phrased, the sum and substance is to disallow income tax deduction for expenses paid or incurred for entertainment at night clubs, theaters, athletic events, horse races, or other places of public amusement, or on boats, unless the conduct of the place of amusement or the maintenance or operation of the boat happens to be the trade and business of the taxpayer, by providing that any such entertainment expenses which would have been deductible prior to the enactment of the amendment may be deducted in

an amount not to exceed a total of $1,000 for any taxable years.

The purpose of the language, Mr. President, is to give some leeway to the small businessman or to the individual in business for himself or in a partnership to spend up to $1,000 within the bounds of the existing law for entertainment.

My amendment would also refuse an allowance for deduction for business gifts in any amount. It is my view, and the view of the cosponsors, that if one wants to make a gift to somebody neither near nor dear, the recipient of which the donor thinks would be apt to throw his business one's way, then one ought to pay for that gift himself and not ask Uncle Same to pay anywhere from 52 cents on the dollar up—or down, in the case of the small businessman—as part of the income tax deduction which would be taken. Needless to say, the tax-deductible status of gifts to charities, worthy civic organizations and so on, would not be changed by this amendment.

My amendment would also exclude deductions for dues or initiation fees in social organizations. This would mean one could not join the Burning Tree Country Club, perhaps play golf with the President, and take the cost of his dues and initiation fees off his income tax as a business expense. I do not believe it is necessary to justify that proposal in any particular way.

My amendment would also exclude as a deduction for income tax purposes traveling expenses to conventions outside the United States, Canada, or Mexico. Senators may recall the famous junket which the American Bar Association took to London a few years ago. Most, if not all, the members charged the expense of that junket to Uncle Sam, as a business or professional expense. It does not seem to me that that should be permitted.

We excluded Canada, so that our friends in New England could go up to Montreal of Quebec if they so desired; and if the expenses of such a trip were ordinary or necessary business expenses, they would still be able to deduct them. We excluded Mexico, so that our friends from California, Arizona, New Mexico, and even Texas could go down to Acapulco, or Mexico City, or even Tiajuana, and charge up the expense as a business expense, on the theory that if it was logical to deduct expenses for a convention involving travel from Maine to Los Angeles, the expense of a shorter trip, to our friendly neighbors to the north or south, would also be an appropriate deduction.

The effect of these amendments would be to hit at expense account spending, which has been estimated by a Revenue Service spokesman to total between $5 billion and $10 billion a year. I have ample documentation for that statement, which I placed in the record during the hearings before the Finance Committee yesterday. The annual total of expense account claims has been increasing sharply in recent years, though we do not know to what extent. However, I think it is entirely likely that an annual revenue loss of between $1 billion and $2 billion a year results from the present "swindle sheet" practices.

The difficulty is that the phrase in the present law, "ordinary and necessary" business expenses, has been the subject of so much tugging and hauling by taxpayers and tax lawyers on one side, and Internal Revenue Service representatives and the courts on the other, that it is impossible for the ordinary revenue agent to come to a reasonably intelligent and objective conclusion as to what is an ordinary and necessary expense, and what is a claim submitted by a chiseler to evade his just income tax.

Let me cite a couple of examples, to show the extent to which this "swindle sheet" business goes.

I cite the case of Sanitary Farms Dairy, Inc., 25 Tax Court, 463, decided in 1955. A happily married couple, experienced big game hunters, the husband being the owner of a domestic dairy which produces milk, cream, and butter, took a 6-month safari to Africa, via London, Rome, and Paris. They shot a number of rhinoceroses and various other African game.

They took many reels of motion pictures. They spent $17,000. They brought the rhinoceros heads home and hung them on the wall. They showed the film to their friends, and perhaps to their customers, and the dairy, which reimbursed them, was allowed to deduct the entire $17,000 for income tax purposes as a business expense. Moreover, they got away with it. If this case is not in itself enough to show the need for a change in existing law, I do not know what is.

I was asked a question before the Committee on Finance by my good friend from Delaware [Mr. FREAR]. I assume he was speaking in a lighter vein. He asked me whether this couple from the dairy had not, perhaps, been investigating new sources of milk in Africa. I think it is fairly clear that the American people are not prepared as yet to shift from cows' milk to the milk produced by water buffalo, or whatever other kind of animal can be found in Africa. I was able to answer the question categorically, to the effect that such expense was not an ordinary business expense.

The couple to whom I have referred contended that the promotion value to the dairy of the heads they brought back, and the motion picture film they recorded, represented such a necessary and ordinary business expense that it could be deducted for tax purposes by the dairy. Accordingly, Uncle Sam paid 52 cents on every one of the $17,000.

Let me cite another example. I refer to the case of Olivia de Haviland Goodrich, in 20 Tax Court 323, decided in 1953.

I happened to be one of those middle-aged—perhaps elderly—Senators who thought Olivia de Haviland was one of the most beautiful, charming, and attractive motion picture actresses he ever saw on the silver screen. I regret the fact that I never met the lady personally. I have no doubt that "age cannot wither or custom stale her infinite variety," and that she is still among the most beautiful American women alive.

How did Olivia get before the Tax Court? She deducted, as an ordinary and necessary business expense, the cost of a gift of an oil painting to her agent. The oil painting cost Olivia $775.

She deducted the cost of a silver tea set and coffeepot, a gift to her dialogue director. The silver tea set and coffeepot cost $920.

She deducted the cost of a gold necklace and gold clips, for which she paid $810, and which she gave to her dress designer.

She not only deducted these sums, but she got away with it, as an ordinary and necessary business expense, in the opinion of the U.S. Tax Court. She certified that these gifts were made solely for business purposes, and not for personal reasons. The gifts she made were said to be commensurate with the service rendered. She did not contend that those people were not paid adequate salaries. Such are the customs in Hollywood that, I suppose, she felt that she had to keep up with the Joneses.

The end result is that Uncle Sam probably paid a great deal more than 52 cents out of every such dollar, because I suspect that if Miss de Haviland's income is commensurate with her beauty and ability, she is probably in a good deal higher income tax bracket than 52 percent.

I wonder what would happen if a surgeon tried to deduct, as a business expense, the cost of gifts to nurses, interns, and residents who assisted him in the course of an operation.

I wonder what would happen if the principal of a school or the president of a university tried to deduct, as an ordinary and necessary business expense, the cost of gifts to members of his faculty. I do not believe he would get very far. Doctors and teachers do not get into the "swindle sheet" racket to the extent others do.

Other rulings with respect to deductible business expenses involve the cost of food and liquor at night clubs; tickets for hit musical comedies in New York, and elsewhere; expenses incident to attending the Kentucky Derby; expenses involved in traveling to that wonderful spectacle at New Orleans, the Mardi Gras; football games; county club dues; initiation fees; and the cost of maintaining yachts.

Let me say a word about yachts. I now cite the case of William T. Stover, 27 Tax Court 435, decided in 1956.

In that case, the expense of operating a plain, simple, ordinary yacht—not a very fancy yacht—was entitled to be charged as a necessary business expense, coming off the taxpayer's income. Uncle Sam paid a large proportion of the cost. Why? It was a pleasure boat party on a lake near Hot Springs, Ark. The boat was used, in part, for entertainment in the petitioner's business and, in part, for the pleasure of its stockholders. The business of the petitioner was that of selling surgical and hospital supplies and equipment. One-half of the cost of operating the yacht was allowed to be deducted.

Mr. President, I could regale Senators with a large number of other examples of swindle sheet tax economics, but I am

not particularly desirous of detaining the Senate much longer. I did refer in my testimony before the Committee on Finance to an article published in the Yale Law Journal for July 1958, entitled "Expense Accounts for Executives," written by two competent tax lawyers, V. Henry Rothschild and Rudolph Sobernheim, which I think would be worth the while of all interested in this subject to read, and from which much of the material I am citing is drawn.

An interesting summary of the article was published in the U.S. News & World Report of January 23, 1959. The article is entitled "Your Expense Account: What the Tax Laws Allow." It is a very shrewd, incisive analysis of the present status of the tax laws, and was written for the benefit of business men. Its publication was in that well known magazine edited by the well known columnist, Mr. David Lawrence, and it quite clearly indicated what one might get away with and what he could not get away with under present law. I commend a reading of the article to all Senators. Both articles are too long, in my judgment, to ask to have printed in the RECORD.

It is said by almost every Member of the Senate that we must balance the budget. It is said that we cannot afford another deficit. That is true. There is no stronger advocate in this body of a balanced budget than the senior Senator from Pennsylvania. But how can the budget be balanced with any equity, with any decency, with any justice, if we leave wide open the loopholes through which rich taxpayers can drive without any stopping, when the phrase "ordinary and necessary business expenses" has been so tortured by the Internal Revenue Service and the courts that the kind of scandalous deductions which I have just been reciting in the Senate has been held to be legal? Such deductions may be legal, but in my judgment they are unethical. In my judgment they are debasing. They erode the moral structure of America. In my opinion, they ought to be stopped for moral reasons, if not for financial reasons. We have an opportunity to do that now.

I should like to say for myself—I do not speak for any other Senators; I would not for 1 minute impose my judgment on theirs—that I do not see how I could sleep at night if I voted against these tax loophole closing amendments, and then came to the Senate the next day and said I wanted to balance the budget and wanted to reduce the national debt. A time comes when a man must live with his own conscience. All I can say is that my lips would indeed be closed—other Senators will make up their own minds—to ever again have the effrontery to rise in the Senate and say I wanted to balance the budget, if I were unwilling to vote to close the notorious, inexcusable loopholes through which millions of dollars are leaking away from the Treasury every month, indeed every day, in every year.

I hope that when my amendment is called up, it will receive the favorable consideration of all Senators, that it will be adopted, and will be sent to the other House of Congress. I am confident that the Members of the other body are as desirous as we are to have an equitable and just tax system, a system which will raise the revenue which the law intends shall be collected. If they are, I am certain they will look on these amendments with favor, and that they will be enacted.

Moreover, I cannot see how the President of the United States could possibly object to these amendments. I do not take seriously the claim that we are putting a shotgun at the head of the President. The President ought to be very happy to have these amendments placed before him for signature, thus enabling him to balance the budget, in which he is so desperately interested. There is nothing sacred about the figure of $77 billion. As I pointed out earlier, we will have to go well above that figure if we are to have a first-class national defense and a first-class America to hand on to our children.

But even if we were to stand with the $77 billion budget, how could we possibly justify allowing this disgraceful situation to continue, particularly if we number among ourselves many of my conservative friends on the other side of the aisle and some on this side of the aisle? Do they not want to reduce the national debt? If they do, they had better vote for these amendments.

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

Mr. CLARK. I yield.

Mr. CARROLL. I commend the able senior Senator from Pennsylvania for a very excellent, thought-provoking discussion of an issue which, as he has stated, is not entirely fiscal. This problem is not only a financial one. Of course, more money can be brought in. Of course, the loopholes ought to be closed. But there is a moral and ethical problem involved. The Senator from Pennsylvania ought to be successful in having his amendment adopted, but whether he is or not, the amendment can serve as a sort of springboard for our friends on the Committee on Ways and Means in the other body. I understand that they propose to reexamine the fiscal structure of the Nation.

The senior Senator from Pennsylvania is so right. All over America today the taxpayers understand that there are great loopholes in the tax structure, loopholes which give special privileges and special benefits to certain persons. The time has come to close them. This is a way to restore confidence and faith in our taxing system. The Government can recover hundreds of millions of dollars in taxes which are not now going into the Treasury.

I have not read carefully the amendment of the Senator from Pennsylvania, but I will vote with him in principle because I think he is right. After the bill leaves the Senate, it will go to the other body and then go to conference. We do not know whether the House will accept the amendment or not; but the House will be put on notice that we expect some revision in the tax laws.

Mr. President, I am very happy to associate myself with the remarks of the distinguished Senator from Pensylvania.

Mr. CLARK. I thank the Senator from Colorado for his very kind words, and I welcome his support. He and I have fought many battles together in the few short years we have been Members of the Senate. I know of no Member of this body whom I would rather have on my side than he.

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

Mr. CLARK. I yield.

Mr. HART. Together with the Senator from Colorado, I welcome the opportunity to participate in an effort to put a bridle on what I think more and more of the people of the Nation realize has become a very confused section of the Internal Revenue Code, the section which has just been described by the Senator from Pennsylvania as the swindle sheet racket.

Looking at the amendment which I understand the Senator from Pennsylvania proposes to offer, and remembering one of the cases he cited, namely, the Safari by the dairy entrepreneur, would this amendment inhibit that dairyman from experimenting with rhinoceroses? I do not read it that way.

Mr. CLARK. I thank the Senator from Michigan for raising this point. I think there is some doubt whether the amendment which he holds in his hand would do exactly that. But we have since had prepared another amendment, which I have sent to the desk and which would deny a deduction for "travel to places outside the United States for advertising purposes."

Mr. HART. Fine.

Let me ask in regard to another specific area in which I think the abuse perhaps is more general than in any which has been mentioned thus far on the floor. I refer to the man whose annual compensation the Senator and I would think would enable him to buy his lunch 7 days a week, but who probably for the last 19 years has never known what it was to pay for his own lunch. I doubt that the amendment which I hold in my hand would even require him to do that, unless he took his lunch at a night club.

Mr. CLARK. The Senator from Michigan is again very astute. By means of the amendment which I have sent to the desk—which my friend has not seen—we try to close that loophole, too, by denying a deduction for all entertainment, unless entertainment is the trade and business of the taxpayer, provided that any entertainment expense which would have been deductible prior to the enactment of this act would still be permitted up to, but not in excess of, $1,000 in any taxable year. That proviso is for the purpose of protecting the small business man.

Mr. HART. Do I correctly understand, from the statement the Senator from Pennsylvania has made about his second amendment, that it will not enumerate the functions for which such expenses will not be permitted to be deducted?

Mr. CLARK. That is correct. An amendment to this area of the tax code is hard to draft, as my friend, the Senator from Michigan well knows.

But, fortunately, we had the advantage of having bright minds on the Finance Committee sharpshoot at us during the hearings on yesterday, and that process revealed some weaknesses in the earlier draft of the amendment. I think the present draft of the amendment is about as much perfected as can be obtained.

Mr. HART. I thank the Senator from Pennsylvania. I hope the amendment will result in the coming of the day when everyone will buy his own lunch.

Mr. YOUNG of Ohio. Mr. President, will the Senator from Pennsylvania yield to me?

The PRESIDING OFFICER (Mr. MCCARTHY in the chair). Does the Senator from Pennsylvania yield to the Senator from Ohio?

Mr. CLARK. Mr. President, I shall yield to my friend, the Senator from Ohio. But I previously agreed to yield to the distinguished Senator from Missouri [Mr. SYMINGTON]; and at this time I yield to him.

Mr. SYMINGTON. I congratulate the able Senator from Pennsylvania, who this afternoon has been constructive in his approach to the problem of taxation and a balanced budget. I was glad to hear his talk in this regard.

In reading the Senator's second amendment, I judge that the provisions in regard to clubs and so forth would be pooled in one amendment, would they not?

Mr. CLARK. Yes; after much thought, we decided that instead of being so specific, it would be wiser to be general, and then to include an escape clause to protect small businesses.

Mr. SYMINGTON. I thank the Senator from Pennsylvania.

Mr. CLARK. Mr. President, at this time I am happy to yield to the Senator from Ohio [Mr. YOUNG].

Mr. YOUNG of Ohio. First, Mr. President, let me extend my warm and hearty congratulations to the senior Senator from Pennsylvania [Mr. CLARK] for the magnificent address he has made on this general subject and for his very effective reasoning, which, if it should not prevail here on the floor of the Senate within the next few days, will certainly prove very effective when this entire subject is being considered by the Ways and Means Committee of the House of Representatives.

Mr. CLARK. Mr. President, I thank my friend, the Senator from Ohio, who himself, was a most valuable member of the Ways and Means Committee of the House of Representatives before he was promoted—at least, that is my judgment—to membership in this body; and let me say that in making that statement I intend no affront to the other body.

Mr. YOUNG of Ohio. At this time I should like to make some observations——

Mr. CLARK. Mr. President, I yield the floor.

Mr. NEUBERGER. Mr. President, I have prepared an amendment to House bill 7523. I wish to send the amendment to the desk, to have it lie on the desk, so that I may call it up later, during the further consideration of the bill.

At this time I should like to submit a brief explanation of the amendment.

My amendment provides for an increase in the Federal motor fuels tax from 3 cents a gallon to 4½ cents a gallon, and that the increase shall remain in effect until July 1, 1961.

I send the amendment to the desk, and ask to have it lie on the desk. I shall call it up at a later time during the consideration of the tax bill.

The PRESIDING OFFICER. The amendment will be received and will lie on the table. It may be called up at such time as the Senator desires.

Mr. YOUNG of Ohio. Mr. President, I should like to say that, faced with so many pressing needs for the defense of our Nation and for its continued economic growth, the taxpayers of the United States are required to foot the bill for one of the largest peacetime budgets—if not the largest—in our history.

Mr. President, let me be recorded as one who believes in, and who votes for the appropriation of large sums of money for the defense of our Nation against the threat from the Soviet Union. I think that is essential. We know that the dictators of Communist Russia and of Red China respect and fear strength; and we know that when we provide for the defense of our Nation with the most advanced ballistic missiles, with nuclear submarines, and with an effective and modern armed force, we are legislating for the peace of the world.

But in this war economy, we, the elected representatives of the people, are charged with the tremendous task of seeking to operate within the budget which has been laid down by the Executive. As if our overlapping local, State, and Federal tax systems have not already been sufficiently complex and burdensome, we are constantly being forced to search for new sources of revenue.

Before we impose new taxes on the American people, Mr. President, every effort must be made to utilize to the fullest, the present revenue-producing laws—in other words, to plug the loopholes in our present tax structure.

The taxpayers who, at present, are struggling under our loophole-riddled tax laws are entitled to a "break."

What the administration needs, in order to balance the budget, is not additional taxes at this time, but a fair and just interpretation and enforcement of our present tax laws.

Too little recognition is given to the quite substantial revenues which could be derived from closing a series of tax-escape mechanisms and preferential treatment provisions in our present tax structure. These loopholes deprive the Federal Government of revenue to which it is entitled, and give unfair advantage to particular segments of our economy.

Mr. President, I shall be the first to admit that we shall not obtain 100 percent unanimity in regard to what constitutes a tax loophole. What one person might call a tax loophole might be considered by another to be a legitimate tax device designed to achieve a particular national objective or to provide fair treatment for taxpayers in special situations.

However, Mr. President, I believe we shall find among ourselves a wide area of agreement as to most of the tax loopholes; and I intend to mention some of them.

Obviously it is not possible in a short time to do more than refer to the most glaring of them—the ones which, if plugged, would do the most to bring in more Federal revenue; in other words, the ones that would bring in the most feathers with the least squawking.

The best way to start is by better enforcement of the laws which already are on the statute books.

In addition, we should deal with the flagrant failure of many of our taxpayers—sometimes innocently, sometimes willfully—to declare all of their income. It has been estimated that 30 percent of self-employed income is not reported, and also 61 percent of interest on money in savings accounts, 13 percent on dividends, and 5 percent on salaries. Only recently the Congress authorized the expenditure of additional funds to increase the enforcement staff of the Internal Revenue Service.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Ohio yield to me?

Mr. YOUNG of Ohio. Yes, if it is understood that in doing so, I shall not lose the floor.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senator from Ohio may yield to me, in order that I may submit a proposed unanimous-consent agreement and may suggest the absence of a quorum, without his losing the floor.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

(At this point Mr. YOUNG yielded to the Senator from Texas [Mr. JOHNSON] to submit a unanimous consent request, which appears in the RECORD following the address of Senator YOUNG.)

Mr. YOUNG of Ohio. Mr. President, I am sorry to say that although this was a step in the right direction, not enough money was authorized for the job that needs to be done. It is estimated that for every thousand dollars spent in additional salaries, $20,000 in additional taxes would be brought to our good uncle.

Mr. CLARK. Mr. President, may we have order?

The PRESIDING OFFICER (Mr. WILLIAMS of New Jersey in the chair). The Senator will suspend. The Senate will be in order. The guests in the gallery will please remain silent.

The Senator may proceed.

Mr. YOUNG of Ohio. Mr. President, there is a direct ratio between the amount of delinquent taxes discovered and then recovered, and the number of enforcement personnel. Yet, the present administration in its early years reduced the enforcement section of the internal revenue service by 3,076 employees. That was a serious mistake.

It is estimated that more than $1 billion per year in additional taxes could be recovered by spending a modest

amount for more investigators. A close auditing of business and professional returns might even yield as much as $2.7 billion a year in additional taxable income and $1.4 billion a year in increased revenue.

Requiring the withholding and the reporting of income taxes on dividends and interest at the source, just as we do with salaries, might yield as much as an additional $600 million to $800 million annually. Why cannot corporations and banks withhold taxes from their investors and depositors just as they do with their employees?

Deductions for expenses—the so-called expenses, or, in other words, "swindle sheets," referred to by the distinguished Senator from Pennsylvania—should be carefully scrutinized and more strictly interpreted. Deductions for members of the family on ostensible business trips, transportation to conventions held in convenient locations abroad, company cars, airplanes and yachts, vacation lodges in Florida and California, and lavish expense accounts at plush night clubs and theaters are just a few of the permissible tax dodges today.

One expert believes that expense account spending might be conservatively estimated at $5 billion annually resulting in a loss to the Treasury of considerably over $1 billion each year.

Before we ask our ordinary American taxpayer to pay higher taxes on his gasoline or higher postage rates, why not in all fairness to the ordinary taxpayers, see to it that flagrant evasions be ended?

Since 1926 oil and gas producers have been permitted to deduct 27½ percent annually, as a depletion allowance, regardless of the actual amount of depletion involved. In 1950 President Truman said:

> I know of no loophole in the tax laws so inequitable as the excessive depletion exemptions now enjoyed by oil and mining interests.

Mr. President, the distinguished Senator from Colorado [Mr. CARROLL] and I were both members of the Committee on Ways and Means of the other body some 10 years ago. In cooperation with Jere Cooper, a Representative from Tennessee now deceased, a fine Representative of the people, who later became chairman of the Committee on Ways and Means of the House of Representatives, and perhaps a couple of other Members, we were pioneers in an effort at that time in the Committee on Ways and Means to reduce the oil and gas depletion allowance from 27½ to 15 percent. At that time we failed in our efforts, but now, approximately 10 years later, the time is ripe. We again make that effort. If we should fail this time, it is my hope that later on the Committee on Ways and Means of the House of Representatives will give this matter intensive study.

If this depletion allowance were reduced from 27½ percent to 15 percent, $500 million would be added to our annual Federal revenue, and in my opinion no one would be harmed.

Before I leave that subject, let me say that at all times, whenever the opportunity is afforded to me, I will vote to reduce the depletion allowance, which is now 27½ percent, which I think is an unconscionable favoritism to the gas and oil producing corporations of the country.

Furthermore, tax windfalls to corporations, such as loss carryover and tax exemptions given to businessmen who make a profession of "milking" losing businesses, would bring in additional millions. The average hardworking citizen should not be burdened with additional taxes while big-time financial operators are permitted to make millions because of loopholes in our tax laws.

The 1954 tax code contains a special tax credit and exclusion for dividend income. As a result, a wage earner netting $5,000 must pay $60 more income tax than a person living entirely on dividends of the same amount. If this provision were repealed, we would stand to gain some $400 million, and, at the same time, bring about a more equitable treatment between two classes of taxpayers.

Mr. President, there are just a few of the more flagrant weak spots in our income tax laws. Many others could be mentioned, such as the favorable treatment of income earned abroad and the capital gains formula.

To eliminate all of these loopholes is hardly feasible by action on the floor of the Senate in a few days time. The important thing is to recognize them and to start taking action to close them. It is important for us to encourage the Ways and Means Committee of the other body in its efforts to reform the entire tax structure, and to make it more equitable for all our people by actually levying the taxes of the Nation in accordance with ability to pay.

Mr. President, as we are preparing to legislate on taxes which will affect every American, let us realize that there is no other way of helping to achieve a balanced budget, no other way of fighting inflation, that is as fair and can be taken as promptly and effectively as sorely needed tax reforms.

Mr. President, as has been said here today and I repeat again, taxes should be levied according to ability to pay. That is essential and fundamental. I am sorry to say that in my own State of Ohio at the present time it seems necessary to the executive to urge the general assembly to increase the sales tax on necessaries. It now begins at 40 cents. Formerly, as my distinguished colleague from Ohio [Mr. LAUSCHE] well knows, it began at 10 cents. Under his administration as Governor of that State, the sales tax was made far less oppressive. I dislike to see it increased. Of course, a sales tax is regressive, and it violates the principle that taxes should be levied according to ability to pay. A sales tax on necessaries burdens most those who have least. The man or woman in moderate or poor circumstances must spend practically all of his earnings to live. They are the ones who are oppressed by sales taxes.

Let me say in closing that if we desire to plug the tax loopholes, we can achieve this objective by voting in favor of the amendments discussed and presented today, which will be voted upon later today. It will be our effort and the effort of fine Senators such as the Senator from Minnesota [Mr. MCCARTHY], the Senator from Illinois [Mr. DOUGLAS], the Senator from Pennsylvania [Mr. CLARK], who just preceded me, the Senator from Colorado [Mr. CARROLL], and others who have spoken, to obtain more sorely needed revenue for our Government, without unfairly treating any corporation or any individual in America.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that during the further consideration of the bill, H.R. 7523, the Tax Extension Act of 1959, debate on any amendment, motion, or appeal, except a motion to lay on the table, shall be limited to 1½ hours, to be equally divided and controlled by the mover of any such amendment or motion and the majority leader; provided, that in the event the majority leader is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him; provided further, that no amendment that is not germane to the provisions of the said bill shall be received.

Ordered further, that on the question of the final passage of the said bill debate shall be limited to 3 hours—I will say, Mr. President, I have agreed to yield 1 hour and 15 minutes of that time to one Senator—to be equally divided and controlled, respectively, by the majority and minority leaders; provided, that the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

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

Mr. JOHNSON of Texas. I will yield in a moment.

I should like to suggest that if the unanimous-consent agreement as proposed is entered into we would expect a vote in approximately an hour and a half or an hour and 40 minutes on the McCarthy amendment. Has the McCarthy amendment been made the pending question?

Mr. CLARK. No.

Mr. JOHNSON of Texas. Would the Senator from Minnesota call up his amendment now?

Mr. MCCARTHY. Mr. President, will the Senator yield for that purpose?

Mr. JOHNSON of Texas. Yes.

Mr. MCCARTHY. Mr. President, I send my amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. Does the Senator desire to have the amendment stated, or simply printed in the RECORD without reading?

Mr. MCCARTHY. Mr. President, I ask unanimous consent that the amendment may be printed in the RECORD, without being read.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota? The Chair hears none, and it is so ordered.

(Mr. MCCARTHY'S amendment, ordered to be printed in the RECORD, is as follows:)

At the end of the bill insert the following:

"SEC. 6. REPEAL OF CREDIT AGAINST INCOME TAX FOR DIVIDENDS RECEIVED BY INDIVIDUALS.—

"(a) REPEAL OF SECTION 34: Effective with respect to taxable years beginning after December 31, 1959, section 34 of the Internal Revenue Code of 1954 (relating to credit for dividends received by individuals) is repealed.

"(b) TECHNICAL AMENDMENTS.—

"(1) The table of sections for part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out

"'SEC. 34. DIVIDENDS RECEIVED BY INDIVIDUALS.'

"(2) Section 35(b)(1) of such code is amended by striking out 'the sum of the credits allowable under sections 33 and 34' and inserting in lieu thereof 'the credit allowable under section 33.'

"(3) Section 37(a) of such code is amended by striking out 'section 34 (relating to credit for dividends received by individuals),'.

"(4) Section 584(c)(2) of such code is amended by striking out 'section 34 or'.

"(5) Section 642(a) of such code is amended by striking out the first sentence, and by striking out 'section 34 and' in the second sentence.

"(6) Section 702(a)(5) of such code is amended by striking out 'a credit under section 34,'.

"(7) Section 854(a) of such code is amended by striking out 'section 34(a) (relating to credit for dividends received by individuals),'.

"(8) Section 854(b) of such code is amended by striking out 'the credit under section 34(a),' in paragraph (1) and by striking out 'the credit under section 34,' in paragraph (2).

"(9) Section 1375(b) of such code is amended by striking out 'section 34, section 37, or section 116' and inserting in lieu thereof 'section 37 or 116'.

"(10) Section 6014(a) of such code is amended by striking out '34 or'.

"(c) EFFECTIVE DATE.—The amendments made by subsection (b) shall apply only with respect to taxable years beginning after December 31, 1959."

Mr. JOHNSON of Texas. Mr. President, I should like to inform all Senators that the hour and a half may not necessarily be used. For instance, 45 minutes of the time is under the control of the Senator from Minnesota [Mr. MCCARTHY]. I have no way of knowing how long the Senator will talk, how many Senators he will yield time to, or how much time will be requested on his amendment. I do not know how much time will be requested in opposition to the amendment. All Senators should be on notice that we will be having a series of votes during the evening. We will attempt to complete action on the bill tonight.

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

Mr. JOHNSON of Texas. Mr. President, I should like to have excluded from the germaneness requirement of the unanimous-consent agreement the Gore amendment, the Douglas amendment, the Clark amendment, the McCarthy amendment, the Proxmire amendment, and the two Long amendments.

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

Mr. JOHNSON of Texas. In case those amendments happen not to be germane, I should like to specify that they are to be excluded from the germaneness requirement.

The PRESIDING OFFICER. Is there objection to the unanimous-consent agreement proposed by the Senator from Texas? The Chair hears none, and the unanimous-consent agreement is entered, and is now in effect.

Mr. PASTORE. Mr. President, I have been asked by the leadership to request unanimous consent that the time consumed by the Senator from Ohio [Mr. YOUNG] be not charged to either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Ratchford, one of his secretaries.

INCREASE OF THE DEBT CEILING

Mr. JOHNSON of Texas. Mr. President, House bill 7749, to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time—it is the so-called debt ceiling bill—has been reported unanimously by the Finance Committee. The Treasury believes it very important that we take action on this measure at the earliest possible time.

The report on the bill has been filed; and I have conferred with the chairman of the committee and with the ranking minority member of the committee. They know of no objection to this proposed legislation, which was reported unanimously by the committee. Although no one really wants to raise the debt limit, no way is known by which it can be avoided.

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

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. I regret—particularly in view of the happenings of the last several days—to have to tell my friend, the Senator from Texas, that I think there are six, seven, or eight Senators who have joined me in sponsoring, in connection with the debt limit measure, an amendment which we would wish to call up for consideration. I do not think we would wish to debate the amendment at great length. But I believe there was submitted to that measure—and I ask that I be corrected if I am in error—an amendment which relates to such assets of the United States as REA bonds and similar assets. This seems to some of us to be quite important in our search for a capital budget. I do not want to appear difficult or impossible, but we are going to have some time to discuss the amendment—not too much time, I may say.

Mr. JOHNSON of Texas. I was totally unaware of the amendment. Nobody indicated to me there would be an amendment. May I ask how much time the Senator would like?

Mr. CLARK. So far as I am concerned, not much, but the principal cosponsor is the distinguished senior Senator from Oregon [Mr. MORSE], and I am in no position to speak for him. He is not unreasonable, as the Senator knows.

Mr. JOHNSON of Texas. The Senator from Oregon is out of town.

Mr. CLARK. I know. For that reason, I thought we would wait until Monday.

Mr. JOHNSON of Texas. I have been informed it is important that the bill be passed today.

Mr. CLARK. I hate to be difficult about it. I see the Senator from Illinois [Mr. DOUGLAS] present. I thought he said there was no objection to an increase in the debt limit at all.

Mr. DOUGLAS. The reservation I made was to the increase in the interest rate. I have always been disposed to believe we should not put restrictions on the debt limit, although I want very solemnly to state that I hope when the debt limit is exceeded the funds will be used to meet current bills which the Nation owes, and not to make interest-free deposits in banks. This is an extremely important point.

Mr. CLARK. I should like to ask my friend from Virginia why it is so urgent that the bill be passed this week. I know the senior Senator from Oregon, who I do not think knew this bill was to come up, will be upset.

Mr. JOHNSON of Texas. I stated in the RECORD day after day that it would be considered at the earliest opportunity. We gave adequate notice we are going to try to pass all bills that have expiration dates by the 30th of June. We are being told constantly that we need to expedite legislation, that we need to go ahead with our work.

Mr. CLARK. Could my friend from Virginia tell us what the great urgency is? Why not wait until Monday?

Mr. BYRD of Virginia. I think the majority leader has the information.

Mr. JOHNSON of Texas. The Secretary of the Treasury has not discussed this matter with me, but I understand he has substantial financing to be announced later today. He thinks it is very important and very much in the national interest, if there is no opposition to the bill, and if we can pass it, that it be passed. He is withholding his announcement, awaiting action.

Mr. CLARK. In view of what the Senator from Texas has said, and with a good deal of regret, and with some feeling—not directed against the Senator from Texas at all—that we are being pressured into taking precipitate action on a very important measure without adequate opportunity for debate, I shall not insist on holding the matter up. I will do the best I can, since the senior Senator from Oregon is not here, to present our point of view in half an hour.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Chair may lay before the Senate H.R. 7749, as reported by the committee, and that we may have not to exceed 1 hour on the bill, 30 minutes to be controlled by the author of the amendment, the other 30 minutes to be controlled by the majority leader, and that we proceed to vote following action on the amendment.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Mr. CARROLL. Mr. President, reserving the right to object, will the majority leader inform us or will the distinguished Senator from Virginia inform

us whether or not there is any difference in the bill as reported by the Senate Finance Committee and the bill as it came from the Ways and Means Committee of the House?

Mr. BYRD of Virginia. There is not.

Mr. CARROLL. This is an increase from $283 billion to $285 billion. Is that correct?

Mr. BYRD of Virginia. The permanent debt limitation would be raised to $285 billion.

Mr. CARROLL. But there is a difference between the temporary and the permanent debt ceiling, is there not?

Mr. BYRD of Virginia. The present debt ceiling is $288 billion, $5 billion temporary, and $283 billion permanent. The Treasury recommended a permanent limitation of $288 billion, and an additional $7 billion, temporary, for a total of $295 billion. The House provided increases of $10 billion temporary and $2 billion permanent, making a total of $295 billion for fiscal year 1960, with the $10 billion temporary increase expiring June 30, 1960. This is the same bill that the House Ways and Means Committee reported and the House passed and sent to the Senate.

Mr. CARROLL. Let me restate my question. On the permanent side, the national debt ceiling is $283 billion. The proposal is to increase it to $285 billion. Is that correct?

Mr. BYRD of Virginia. That is correct.

Mr. CARROLL. And the temporary ceiling is increased——

Mr. BYRD of Virginia. From $5 billion to $10 billion. That makes a total increase of $7 billion over the present $288 billion limitation.

Mr. CARROLL. On a temporary basis?

Mr. BYRD of Virginia. Yes.

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

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. Is my understanding correct that the Senator from Texas wants to set aside the pending business in order to take up and pass this debt ceiling bill?

Mr. JOHNSON of Texas. Yes.

Mr. CLARK. I shall not object, and again I wish to make it very clear that I am not blaming the Senator from Texas, but, in view of the pressure which is being put on us from all sides, and my keen desire to protect my colleagues who want to get a vote on the McCarthy amendment this afternoon and want to leave later, I am going to stifle my strong desire to offer my amendment and say, let us pass the bill in 10 minutes, and I will make my argument later.

Mr. JOHNSON of Texas. Mr. President, I so modify my request.

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

Mr. JOHNSON of Texas. I yield to the Senator from Illinois.

Mr. DOUGLAS. I am going to vote for the proposal. I regret I was not able to be present at the Finance Committee meeting this morning so that I could question the Treasury officials. I was hit on the head with a bungstarter last night when my attempt to introduce some economy in the White House was defeated by a vote of 75 to 5, and I have been trying to recover my equilibrium ever since. But there is one thing which needs to be watched very carefully, and that is this: Suppose the Treasury borrows $5 billion of short-term notes, and pays for them at the rate of 3¼ percent. Suppose it gets the money, redeposits the money in the banks interest-free, and the banks then turn around and buy short-term Government notes in the open market for which they get 3¼ percent, so that the net result is that the banks get 6½ percent. I do not know whether that is the intent of the Treasury. I say that if it is the intent of the Treasury or the practice of the Treasury, that fact should be made known to the country. I hope it is not.

The Senator from Illinois is serving notice that he is going to watch very assiduously whether there is an increase in the interest-free deposits of the Government in the banks of the country. This has been an abuse which has gone on for too long. It was probably justified in wartime because of unpaid services which the banks performed for the Nation; but deposits in excess of current needs should pay interest to the Government.

I have again and again queried the Treasury on these funds, and again and again have not received any satisfactory answer. I hope this is not to be used as a measure to enrich the banks.

I am ready to vote for the measure as a means of enabling the Government to pay its bills.

Mr. BYRD of Virginia. Mr. President, will the Senator yield?

Mr. DOUGLAS. Yes.

Mr. BYRD of Virginia. The Senator from Illinois was not at the meeting this morning, but the Secretary of the Treasury stated that he regarded $3.5 billion as the amount necessary for what is known as a constant balance. The Senator from Illinois and the Senator from Virginia have joined in their efforts not so often, but occasionally. Some years ago the Senator will recall we exposed the fact that entirely too much money was being left in the banks when we were borrowing and paying interest.

Mr. DOUGLAS. Will the Senator from Virginia, whose eye is sharper than that of the Senator from Illinois, keep his eye on the matter?

Mr. BYRD of Virginia. I certainly shall.

Mr. DOUGLAS. I think he has more influence with the Treasury than I have. And will he watch sharply if the Treasury increases its interest-free deposits?

Mr. BYRD of Virginia. Yes. The figure of $3.5 billion is what the Secretary regards as a necessary constant balance.

Mr. DOUGLAS. It will be interesting to see if this figure is raised subsequently upon the borrowing of more money.

Mr. BYRD of Virginia. I will ask the Secretary of the Treasury to furnish to the Finance Committee a monthly statement.

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

Mr. DOUGLAS. I yield.

Mr. McCARTHY. Will the Senator from Virginia tell me when the Treasury made the specific request for an increase in the debt ceiling?

Mr. BYRD of Virginia. It was made recently to the House Ways and Means Committee. I do not have the exact date before me.

Mr. McCARTHY. Hearings were held last week, were they not?

Mr. BYRD of Virginia. I think it was last week, the bill came to the Finance Committee only a few days ago.

Mr. McCARTHY. I presume the committee acted as soon as it received the request.

Mr. BYRD of Virginia. It came to the Finance Committee within the week.

Mr. McCARTHY. We can be quite sure that the Treasury Department knew of this need long ago. So far as we know, it did not submit its request until a week ago.

Mr. BYRD of Virginia. Such proposed legislation goes to the Ways and Means Committee of the House first.

The PRESIDING OFFICER. Is there objection to the unanimous-consent agreement proposed by the Senator from Texas? The Chair hears none, and it is so ordered.

The Senate proceeded to consider the bill (H.R. 7749) to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

Mr. JOHNSON of Texas. Mr. President, so far as I know, Senators have already used all the time they desire. I have had no request for time. I believe, if we are ready, we can vote.

Mr. BYRD of Virginia. Mr. President, I should like to make a brief statement.

Mr. President, the bill raises the permanent statutory limit on the Federal debt from $283 billion to $285 billion, and for fiscal year 1960, it allows an additional $10 billion temporary increase.

Under the provisions of the bill the debt limit will be $295 billion during fiscal year 1960; the $10 billion temporary increase will expire June 30, 1960; and the limit thereafter will be $285 billion.

The administration requested that the permanent limit be raised from $283 billion to $288 billion, and that an additional increase of $7 billion be allowed temporarily for fiscal year 1960.

The Committee on Ways and Means of the House of Representatives, approved the bill providing that the permanent ceiling be raised to $285 billion and allowing an additional $10 billion in temporary increase for fiscal year 1960. The House passed the bill as reported by the Committee on Ways and Means.

The Secretary of the Treasury, in testimony before the Senate Committee on Finance, said an increase in the debt limit was essential to proper management of the Federal debt under existing and foreseeable conditions. He testified further that the provisions of the bill as passed by the House were workable in terms of Treasury requirements, and acceptable to the administration.

The Committee on Finance has approved and reported the bill as passed by the House of Representatives, without amendment.

HISTORY OF FEDERAL DEBT LIMITATION

Limitation on public debt is standard and traditional in the United States at all levels of Government. It is advocated by the administration, with sufficient leeway for flexibility. It is not new with Congress. Prior to 1917, specific acts of Congress were required to authorize each loan. Since 1917, the maximum limitation on Federal debt has been fixed by statute.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time, on condition that the minority leader do likewise.

Mr. GOLDWATER. Mr. President, will the Senator yield to me first?

Mr. DIRKSEN. Mr. President, I yield 1 minute to the Senator from Arizona.

Mr. GOLDWATER. Mr. President, because there will not be a yea and nay vote, I do not want the RECORD to indicate I would vote for the bill if a yea and nay vote were taken. I have voted against increasing the debt ceiling every time I have had the opportunity, on the ground that I think we should practice more economy in Government before we raise our national debt ceiling. Therefore, if there were to be a yea-and-nay vote, I would vote against the passage of the bill.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time.

Mr. DIRKSEN. Mr. President, I yield back the balance of my time.

The PRESIDING OFFICER. All time for debate has been yielded back. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 7749) was passed.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas to lay on the table the motion of the Senator from Illinois to reconsider.

The motion to lay on the table was agreed to.

TAX RATE EXTENSION ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Minnesota [Mr. MCCARTHY]. How much time does the Senator from Minnesota yield himself?

Mr. McCARTHY. I yield myself 15 minutes.

Mr. President, the amendment before the Senate provides for the repeal of section 34 of the Internal Revenue Code of 1954. This is the section of the code which permits the 4-percent credit against taxes on the basis of dividends received. My amendment repeals the 4-percent credit against taxes on dividends received from domestic corporations. My amendment does not in any way affect the $50 deduction which was granted in the act of 1954 and is included in section 116 of the code.

Let me make it clear to the Senate that the $50 deduction will be continued, and that on a joint return $100 of dividend income of husband and wife would continue to be deductible.

My amendment relates only to the 4-percent tax credit which was included in the act of 1954. If my amendment is adopted, the Federal revenues will be increased by $335 million in the year beginning January 1960. The amount of revenue involved in the $50 deduction comes approximately to only $65 million. I point out again that my amendment does not in any way affect the $65 million tax deduction which is granted on the basis of the first $50 of dividend income which any individual taxpayer will receive and have to report.

I feel certain that Senators are familiar with the background of these provisions in the Internal Revenue Code. In the early years of income tax legislation, a situation arose under which a person who received income from salaries and wages paid a smaller tax than a person who received the same amount of income from dividends. In those days people talked about earned income and unearned income. Earned income was given preferential treatment.

This difference was eliminated by the Tax Adjustment Act of 1943, when the law was changed so as to establish equities. Those who received income from dividends paid a tax which was the same as that which was paid by those who received their income from wages and salaries.

The 1943 act, let me repeat, established equities. The tax was the same on dividend income as on income from wages and salaries.

In 1954, the revised code gave preferential treatment to those whose income was derived from dividends. The act of 1954 provided a $50 deduction for dividend income in addition to all the other regular deductions which were given to all taxpayers, and provided for a straight deduction from income and a credit against tax of up to 4 percent of the individual taxable income, and 4 percent on dividends and up to 4 percent of the individual's total taxable income.

The original bill proposed by the Treasury would have granted even greater deductions and a larger tax credit—$100 a person by way of deduction, and a tax credit of 10 percent on dividends.

The second provision is not a deduction from the tax itself but is rather a credit against the tax.

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

Mr. McCARTHY. I yield.

Mr. CARROLL. Do I correctly understand the Senator from Minnesota to mean that the Treasury in 1954 advocated a program for a deduction of $100 plus a 10-percent tax credit rather than a 4-percent tax credit?

Mr. McCARTHY. The Senator is correct.

Mr. CARROLL. What was the philosophy behind that? I can understand a deduction of $100 or $50. But what was the philosophy with respect to either the 10-percent or the 4-percent tax credit? How was that justified?

Mr. McCARTHY. Two arguments were made. The first was on what was called double taxation, which I shall discuss in some detail; the second argument was that it was necessary to stimulate investment in corporate securities. Investment in the stock market needed to be stimulated and encouraged in 1954.

Mr. CARROLL. So it was the concept of the Treasury in 1954 that it was really necessary to stimulate investment in the stock market.

Mr. McCARTHY. The statement was made that people were not investing in stocks, but rather were investing their savings in bonds. The Treasury wanted to reverse this trend and to change that disposition of savings.

Mr. CARROLL. I hope the Senator from Minnesota will continue along this line and will compare stock market and bond market conditions today with those of 1954.

Mr. McCARTHY. I hope that in the course of my remarks I shall make that point clear.

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

Mr. McCARTHY. I yield.

Mr. DOUGLAS. The Senator from Minnesota touched very concisely on the essential point which I think needs to be emphasized. Is it not true that this deduction or credit of 4 percent of dividends is not applied to income, but is a direct dollar-for-dollar deduction from taxes which would otherwise be paid?

Mr. McCARTHY. The Senator is correct. Let me trace the manner in which this credit is arrived at. After the tax liabilities of the taxpayer are determined, a person having an income from dividends is permitted to subtract from that amount an amount equal to 4 percent of his dividends, with a top limit of 4 percent of his taxable income.

A person who receives income from salaries or wages, or, for that matter, interest or rent, is not permitted or given such a privilege.

Let us consider the case of a joint return of a taxpayer who is married and has 2 children and an income of $10,000 a year. If all of his $10,000 income is derived from salaries and wages, he would take the 10 percent standard deduction, which would leave $9,000 subject to taxation. Deducting his personal exemptions, which would come to $2,400, he would be left with a taxable income of $6,600. The tax on that amount would be $1,372.

Let us now consider the case of the joint return of a taxpayer who is married, who has 2 children, and all of whose income of $10,000 is derived from dividends. After his dividend exclusion of $100 has been deducted, the amount is reduced to $9,900. Deducting the 10 percent standard deduction, which is $990, the remaining figure is $8,910. Subtracting from that his personal exemption of $2,400, he is left with a taxable income of

$6,510, in contrast with the taxable income of $6,600 in the case of the person who had $10,000 in wages and salaries.

Now we come to the next credit. In addition to the other credits and deductions which he has been permitted to take, he takes a 4-percent credit of his dividend income up to 4 percent of his taxable income. This amounts to $260.40. He subtracts this amount and is left with a tax liability of $1,091.80, in contrast with the tax liability of the man who earned his $10,000 in wages and salaries, of $1,372, or a difference of $280.20 between the two taxpayers.

I point out to the Senate that as the amount of income, including dividend income, rises, the advantage increases. I have a table based upon the 1956 tax year in which the dividend credit provision was in effect. It shows who really benefited as a result of Congress having placed this provision in the tax code.

Of those who had incomes under $3,000, more than 12 million taxable returns were filed. Of the 12 million, only 2 percent claimed any dividend credit. The tax saved by the credit came to $16 on a $3,000 income.

If we move into the bracket of those whose incomes were $10,000 to $15,000, we find approximately 2 million returns were filed. Of those, 23.9 percent claimed dividend credit. The tax saved was $108 in that category.

If we move into the $100,000 bracket, 14,000 returns were filed. Ninety percent of those taxpayers filed a claim for dividend credit. The amount of tax saved was $1,480.

In the $200,000 to $500,000 class, 93.9 percent of the taxpayers claimed credit, and the saving came to something over $4,000, on the average.

In the bracket from $500,000 to $1 million, the saving came to $9,902.

As one moves up in the income brackets, the graduated escape from relief from taxation increases.

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

Mr. McCARTHY. I yield.

Mr. CARROLL. Will the Senator go back to his first category, please? How many million returns were filed in the $3,000 income bracket?

Mr. McCARTHY. Two million one hundred and sixty-one thousand three hundred and twenty-five.

Mr. CARROLL. The Senator mentioned something about 2 percent.

Mr. McCARTHY. Two percent of those who filed in that bracket claimed any kind of dividend credit, and the average tax saving was $16.

Mr. CARROLL. For each of those 2 percent who claimed dividend credit, the amount of saving was $16?

Mr. McCARTHY. Yes.

Mr. CARROLL. That was what confused me. Let us to go the category of $100,000. What was the percentage there?

Mr. McCARTHY. Of those who filed returns in that bracket, 90 percent claimed credit.

Mr. CARROLL. As to each, what was the saving in dollars and cents?

Mr. McCARTHY. It was $1,480.

Mr. CARROLL. Let us go to the next category.

Mr. McCARTHY. In the bracket from $200,000 to $500,000, 93 percent claimed credit. Four thousand persons filed that kind of return. The average saving was $4,135.

Mr. CARROLL. Each?

Mr. McCARTHY. Each.

Mr. DOUGLAS. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. I was a member of the Banking and Currency Committee at the time when this measure was proposed and finally was adopted. The then Secretary of the Treasury, George M. Humphrey, was the sponsor of the amendment. In his testimony before the Banking and Currency Committee he represented this tax as being an aid to persons of low incomes, because, so he said, those with low incomes were the primary owners of American industry.

In the light of experience, how wrong does the Senator think Mr. Humphrey has been proven to be?

Mr. McCARTHY. I think the evidence is strongly on the side of condemning the policy and program of Mr. Humphrey.

Mr. DOUGLAS. Does not the evidence indicate that Mr. Humphrey has been about 99.44 percent wrong?

Mr. McCARTHY. I think the Senator from Illinois has indicated the correct percentage.

Mr. CLARK. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. CLARK. I hope the Senator from Minnesota will save himself a few minutes in which to speak just before the vote is taken.

Mr. President, let me ask how much time remains available to the Senator from Minnesota.

The PRESIDING OFFICER. Thirty-two minutes.

Mr. CLARK. Mr. President, in view of that, I should like to ask the Senator from Minnesota whether his amendment, which is pending, is substantially identical to an amendment which was called up in the Senate and was voted on in 1954. I refer to an amendment against inclusion of section 34 of the code.

Mr. McCARTHY. The amendment I am now submitting to the Senate was submitted to the Finance Committee; and in the committee the vote was 8 to 8—a tie. So the amendment failed by only one vote of having been reported as a committee amendment from the Finance Committee.

Let me also state that in 1954, when this provision was first written into the code, the House adopted the Treasury's recommendation of $100 and 10 percent. But the Senate took the action to which the Senator from Pennsylvania has referred. On July 1, 1954, the then Senator Johnson of Colorado offered an amendment to reject entirely the proposal to grant this dividend credit. That was the same as the proposal I am making now, except that his amendment was directed to the $100 and the 10 percent, and his amendment called for eliminating all of it. In conference a part of it was retained. My amendment calls for eliminating the part which was retained. But his amendment, as he submitted it, went to the entire $100. Mine goes to the remaining $50.

When the vote was taken, 71 Senators showed by their votes that they believed the dividend credit should not be given; and at that time—in July 1954—only 7 Members of the Senate voted in favor of giving this credit.

Mr. DOUGLAS. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. I hope the Senator will pardon me if I say that it was at my insistent request that a yea-and-nay vote, a record vote, was taken on the question of agreeing to that amendment.

Mr. McCARTHY. I give the Senator from Illinois full credit for that. I hope the Senators present today who were Members of the Senate in 1954 will look at the votes they cast then, as recorded at that time at the insistence of the Senator from Illinois. That was in 1954.

In fact, to make it easy for Senators to study that vote, I should like to point out that that yea-and-nay vote has been reproduced, and has been distributed to every office in the Senate Office Building, and also has been laid on every desk in this Chamber.

The PRESIDING OFFICER. The 15 minutes the Senator from Minnesota yielded to himself have elapsed.

Mr. McCARTHY. Mr. President, I yield myself an additional 5 minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for an additional 5 minutes.

Mr. CLARK. Mr. President, will the Senator from Minnesota yield further to me?

Mr. McCARTHY. I yield.

Mr. CLARK. I also wish to call the attention of my genial friends across the aisle—and I see there the distinguished chairman of the Republican National Committee, the junior Senator from Kentucky [Mr. MORTON], and my good friend, the senior Senator from Connecticut [Mr. BUSH]—to the fact that of the 43 Members of the Senate who then were in the Senate and still are in the Senate, the division among them was 27 Democrats and 16 Republicans. They are the Senators who voted in favor of an effort very similar to the one the Senator from Minnesota is making today. That vote was taken in 1954.

I hope my good Republican friends will call to the attention of their colleagues who have not desired to come to the Chamber to hear this debate, just what their votes were in 1954. On that occasion, my charming and delightful friend, the Senator from Connecticut [Mr. BUSH], with his usual consistency, was among the Senators who voted against that amendment in 1954. So when the Senator from Connecticut votes against it today, he will be taking a consistent position. But perhaps not all of his colleagues will be able to be in that happy position.

Mr. McCARTHY. Certainly such Senators will wish to consider the votes they cast in connection with that amendment in July 1954. They will wish to consider their votes on that

occasion, either in order to decide that their vote on this occasion should not be consistent with that one; or else to prepare their defenses, in case they decide that the vote they will cast at this time will be consistent with that vote, and in case such consistency of voting is challenged.

Mr. LAUSCHE. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. LAUSCHE. The Senator from Minnesota has pointed out that a credit is given to the holders of stocks, on the basis of their income from the stocks, whereas one whose income comes from his salary does not receive such a credit. Is not preferential treatment also given, under existing law, to those who derive their income from stockholdings, over those who derive their income from the purchase of Government savings bonds?

Mr. McCARTHY. A preference is given to those who receive income from dividends, over those who receive income from interest on the bonds of the Federal Government. However, that is not necessarily true in the case of the bonds issued by all the States and municipalities.

Mr. LAUSCHE. In other words, one who buys Federal Government savings bonds pays the full income tax on the interest which those bonds produce, does he not?

Mr. McCARTHY. That is correct.

Mr. LAUSCHE. But a person who invests his money in stocks is given, to begin with, a $100 deduction on his earnings from the stocks; and then, in addition, he is allowed to apply 4 percent of his net taxable income as a credit on his tax obligation, is he not?

Mr. McCARTHY. He is permitted to take, as a credit against his tax, after he has figured it, 4 percent of the dividends he received, with a top limit to the effect that the amount shall not exceed 4 percent of all of his taxable income. The Senator from Ohio is correct.

Mr. LAUSCHE. Am I not also correct in understanding that under the present tax-law situation, there is an incentive or an inducement for one who has money to invest to purchase stocks, rather than Federal Government bonds?

Mr. McCARTHY. I think that is an entirely proper conclusion.

Let me say to the Senator from Ohio that in the course of the debate in 1954, when the argument for the inclusion of this provision was made, it was argued that the tax laws had been devised so as to punish, in effect, what was referred to as success, or to punish risk capital. Some Members said they would change that, so as to encourage investments, not in tax-exempt bonds, but, rather, in stocks. That was the argument which was made then.

At the time—in 1954—I disagreed, as did many other Members, when it was claimed that it was necessary to do that. I disagreed because at that time—as I note from the report which was filed then—dividend income was at an all-time high. As a matter of fact, the Senator from Ohio knows what has happened since then: Today, dividend income is again at an all-time high, and much higher than it was in 1954, when that action was taken.

The PRESIDING OFFICER. The additional time the Senator from Minnesota has yielded to himself has elapsed.

Mr. McCARTHY. Mr. President, I yield myself an additional 10 minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for an additional 10 minutes.

Mr. LAUSCHE. Mr. President, I thank the Senator from Minnesota very much for yielding to me.

Mr. McCARTHY. Mr. President, I also point out that on the basis of the composite index for stock prices, in 1954 the index was 229.8; and as of June 5, 1959, the index was 419.8. So even though there might have been some reason to encourage investments in stocks in 1954—although I question whether there was—certainly these figures indicate that such investments have been overstimulated and overencouraged.

Mr. LAUSCHE. Mr. President, will the Senator from Minnesota yield further to me?

Mr. McCARTHY. I yield.

Mr. LAUSCHE. That is especially true when we recognize that there has been a flight of investors from the purchase of the bonds of the Federal Government. Instead of purchasing Government bonds, stocks are purchased. Is that not a correct conclusion?

Mr. McCARTHY. Yes, I think that is a logical conclusion; and it is supported by the evidence.

Mr. LAUSCHE. Is it not also true that the Treasury Department is complaining because of the fact that many investors have decided that it is more profitable to purchase stocks than to purchase Government bonds?

Mr. McCARTHY. The Senator from Ohio is again correct.

Mr. LAUSCHE. And today that trend is increasing, rather than decreasing, is it not?

Mr. McCARTHY. Yes. Not only the Treasury but others who are concerned about the financial system of the country and the stock market situation are also concerned about this development. I believe the Senate has an obligation to consider this situation and this problem, and to do something about it here, today, when we have a chance to take action in regard to it.

Mr. LAUSCHE. Mr. President, will the Senator from Minnesota yield for a statement?

Mr. McCARTHY. I yield.

Mr. LAUSCHE. I wish to inform my colleagues that I decided to invest a modest sum of money. My judgment was not to purchase Government bonds, because I could earn more by purchasing stocks. But my conscience said to me that, as a patriotic citizen of the United States, it would be wrong for me to flee from the duty that each one of us has to support the country in this dismal hour of fiscal combat. So I determined to look aside from the profit which would come to me from the purchase of stocks and that, on July 1, I would invest my money in the bonds of my Government.

But while I do that, it is my opinion that if inducement is going to be given for the purchase of any type of securities, we on the floor of the Senate should take steps to see that sufficient inducement is given to the citizenry to buy the bonds on which the country is so vitally dependent at this hour.

Mr. McCARTHY. The Senator from Ohio has made an excellent statement. I might say this applies particularly to the series E and savings bonds, in that citizens buy them for patriotic reasons. Congress should exercise its responsibility in seeing that holders of those bonds get at least a fair return on their investment.

Mr. DOUGLAS. Mr. President, I know the Senator's time is limited, but will he yield for another question?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. In other words, the Eisenhower administration, having given this tax favor to the owners of stocks, helped send up the prices of stocks. Is that correct?

Mr. McCARTHY. I think the Senator is quite correct.

Mr. DOUGLAS. And it helped stimulate the movement of capital investment into the purchase of stocks. Is that correct?

Mr. McCARTHY. That is correct.

Mr. DOUGLAS. But now they say that is one reason why they must increase the interest rate on bonds. Is that correct?

Mr. McCARTHY. That is the argument they make.

Mr. DOUGLAS. In other words, having gotten us into the fix through improper benefits to owners of stocks, they now want to use that fact as a leverage to increase the interest rate on bonds. Is that correct?

Mr. McCARTHY. If the inclusion of this provision in the tax code had the effect they said they wanted it to have, and all the evidence shows it did, then they clearly should take the responsibility for the situation in which the Government finds itself today.

In any case, in the arguments on this recommended provision in the 1954 debates, there were two principal points made in support of it. One was that it would reduce double taxation.

I may point out to the Senate that at the very time this provision was under consideration for inclusion in the tax code, the proposal to extend the corporate profits tax was before the Congress. If Congress had been concerned about double taxation, the simple thing to have done would have been to reduce the corporate profit taxes from 52 percent to 50½ percent or 50 percent. Some economists say that 50 percent tax on corporate profits is the breaking point. But instead of proposing the obvious and simple reduction of corporate profits tax from 52 percent to 50 percent, or 50½ percent or 51 percent, they said, "No; we do not want double taxation. So we will go around this side and we will grant a dividend credit against personal income tax."

I am sure Senators realize that the corporate tax is generally a regressive tax. It can be passed back to the consumer and to the purchaser of the product. But this particular tax provision

is one which is not regressive, but which gives special favor to those in the higher income tax brackets. I have no question this was in the mind of the Secretary of the Treasury when he proposed it. Officials in the administration were not concerned about double taxation. If they had been, the simple way to have accomplished the purpose would have been to decrease the corporate profits tax. But they were interested, instead, in narrowing again the base of the income tax and taking off the graduation which had been built up over the years as a result of serious consideration.

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

Mr. McCARTHY. I yield.

Mr. CARROLL. I invite the attention of the Senator from Minnesota and other Senators to the CONGRESSIONAL RECORD, volume 100, part 7, page 9461. The then Senator from Colorado, Mr. Johnson, who offered the amendment, said:

> Mr. President, during the past year—

He was referring to 1954—

> Congress has given tax relief in the amount of $6 billion. In a very few days, as I understand, we shall face a request from the Treasury to increase the debt limit.

I think of the similarity of the circumstances today. Awhile ago the Senate voted to increase the debt limit from $283 billion to $285 billion, permanently, and temporarily to $295 billion.

We now have before us a bill to extend excise taxes and corporate taxes. Here is a significant thing. I see present the distinguished Senator from Kentucky [Mr. MORTON], who is chairman of the Republican National Committee. This action was taken in 1954. Tax relief was granted in 1954. After that happened, the fact that tax relief had been given to dividend recipients was debated throughout the country and became a political issue.

I think the record will speak for itself that since 1954 there has not been a Republican Congress in control of the legislative arm of the Government.

I think I am right when I state that in the campaign of 1954, for the first time in 100 years, the people of this Nation turned away from a Republican President and put into office a Democratic Congress. We know what the record was in 1956. The Democrats held their majority. In 1958 the Democrats obtained a greater majority than ever.

In my opinion, there is involved in this issue a basic philosophy. I think the able junior Senator from Minnesota stated it at the outset. He stated what our policy was in 1943 and how it changed. The really great change in this matter came in 1954.

I commend the able Senator from Minnesota for outlining this issue so clearly.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. McCARTHY. How much time does the Senator from Minnesota have remaining?

The PRESIDING OFFICER. Fifteen minutes.

Mr. McCARTHY. I yield myself an additional 10 minutes and I now yield to the Senator from Ohio [Mr. LAUSCHE].

Mr. LAUSCHE. Mr. President, I regret to take exception to the statements made by the Senator from Colorado. I believe there is so much merit to the proposal made by the distinguished Senator from Minnesota that if we approach this problem on its merits, we shall probably succeed in having it adopted. I do not care who is responsible for what occurred. There are many Republicans in the country who, if this problem were submitted to them on its merits, would subscribe to the reformation proposed by the Senator from Minnesota. I think we ought not drive strength away from the cause by taking our eyes away from the merits of the question and centering them on the political differences between the parties represented in this Chamber.

Mr. McCARTHY. Let me say to the Senator from Ohio——

Mr. CARROLL. Mr. President, I should like to respond to the Senator from Ohio, if the Senator from Minnesota will yield.

Mr. McCARTHY. I yield to the Senator from Colorado for that purpose.

Mr. CARROLL. This is not a political difference. It is a philosophical difference. I know the distinguished Senator from Ohio has a tendency to string along with the Republicans, but this issue is more than a political issue; it is a basic philosophical difference.

Referring to the vote of 71 to 13, I point out that many Republicans voted for this proposal in 1954. What we are trying to do is see that this issue transcends political, partisan considerations. That is what I have been trying to say. I have been commending the junior Senator from Minnesota. I want the Republican Party to be strong. I shall not vote with it as often as my friend from Ohio does, but I think there is a basic difference in the political parties, and it is a philosophical difference. That is the point I want to make.

Mr. McCARTHY. Mr. President, I will yield no further at this point.

I do not want this to be a political issue. I do not see how it can be, since a majority of the Republicans have indicated they are in favor of it. If I may pick out just a few, I would note that the minority leader voted against including this provision in the bill in 1954. I am going to quote from something one of the distinguished leaders of the Republican Party said, namely, the Senator from Delaware [Mr. WILLIAMS]. This is what he had to say:

> I shall support the amendment offered by the Senator from Colorado [Mr. Johnson]. I wish to make it clear that my support of the amendment is based solely upon the fact that I do not believe we have sufficient revenue at this time to warrant our reducing taxes.

At that time the country was faced with a deficit in the Federal budget of $3 billion. The Senator from Delaware said he would support the amendment because he did not think we could stand to lose that much revenue.

I point out the Federal debt in 1954 was approximately $270 billion. Here on this floor, just a few minutes ago, we increased the limit on the national debt to $288 billion.

The Senator from Delaware voted for the Johnson amendment in 1954 in the face of a $3 billion deficit. Today we are asking him simply to vote the same way, in the face of a national debt which is almost $20 billion higher, and in the face of a Federal deficit of $13 billion.

It would seem to me any Senator who voted for the Johnson amendment in 1954 because of the deficit of $3 billion in the Federal budget and because of the size of the national debt should have no trouble voting for my amendment today, in the face of a Federal deficit of $13 billion and a national debt which is $20 billion higher than it was in 1954.

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

Mr. McCARTHY. I yield.

Mr. CARROLL. Let me allude to one additional factor: The condition of the stock market today and the condition of the Government bond market. They were overriding factors, as explained by my predecessor, a very able Republican, the late Senator Millikin, a fine man and a fine legislator. But he had a different political concept. In my opinion, time has proven him to be wrong. These are the reasons why I raise the question of philosophy. I think the argument is in favor of the point of view of the Senator from Minnesota.

Mr. McCARTHY. Senator Millikin favored this amendment.

I am left with one last argument, that of double taxation.

We pointed out that this is really not double taxation. I should like to note again in particular, at the time the double taxation argument was made Congress was acting to extend the excise taxes. If there is any tax which involves double taxation it is the excise tax or the sales tax, because the individual who spends his money on the service or on the product on which an excise tax or a sales tax is applied has already paid income tax on his income.

It was a clear case of double taxation which did not seem to bother anybody.

In the second place, instead of working on the corporate profits, the work was done on individual income. Let me quote the distinguished Senator from Tennessee [Mr. GORE] who participated in the debate on this specific point of double taxation. He said:

> The junior Senator from Tennessee has never taken too seriously the argument regarding double taxation. The burdens of a corporate entity go with the privilege of incorporation. If a business acquires the privilege of incorporation, it must thereby incur the responsibility and the obligations of a corporate entity.

The Senator continued:

> The pending bill would not only discriminate in favor of the man who receives his income from corporate dividends as against the man who earns his income from the sweat of his brow, but would favor him over the man who earns his income from the investment in any other property except corporate property.

It seems to me, Mr. President, this is the vital issue involved in the debate and in the controversy.

Mr. President, I reserve the remainder of my time.

Mr. MORTON. Mr. President, I yield myself 6 minutes from the time on the bill.

The PRESIDING OFFICER. The Senator from Kentucky is recognized for 6 minutes.

TOBACCO SUPPORT PRICES AND ACREAGE ALLOTMENTS

Mr. MORTON. Mr. President, the President has vetoed S. 1901, legislation motivated by the desire of the tobacco industry to stabilize tobacco support prices at 1958 levels for the 1959 and immediate subsequent crop years.

While I supported passage of the bill through the Congress and have since maintained close contact in its behalf with the White House, I fully appreciate the views of the Secretary of Agriculture in recommending disapproval of S. 1901.

The administration is in full accord with the almost unanimous agreement of the various segments of the tobacco industry that action must be taken to stabilize tobacco prices at a level which will reverse the unsatisfactory downward trend in foreign sales.

The primary disagreement with the bill is in method only, particularly with reference to old parity.

A few years ago, the farming community made a successful fight for the modernization of parity. I can well understand the reluctance of a part of the farm community to accept a breach of the new parity formula. S. 1901 did breach that formula. To attain the same purpose and not breach the new parity formula, I am introducing, for appropriate reference, a bill to stabilize and protect the level of tobacco support prices.

In view of the fact that certain southern Flue-cured markets open their sales season in late July, I respectfully request and urge the bill's prompt attention and consideration by the Committee on Agriculture.

The bill proposes to do two things: First, freeze tobacco support prices at their 1958 rates for the 1959 and 1960 crop years, and second, prevent a reduction in acreage allotments for the 1960 crop. I fully realize that this is a stopgap measure and that it does not in any way get to the heart of the growers' problems. It will give the farmer, at best, temporary respite from a price trend in which he sees destruction of his tobacco markets, particularly those shrinking overseas markets. It will provide 2 years of stability during which time the entire industry can study the program and propose changes of long-term benefit to all growers.

The need for a halt in constantly rising price supports for tobacco was thoroughly debated in both the House and the Senate, and I will not at this time review the complete background. However, I shall explain briefly why something must be done—and done quickly. Under the parity formula, tobacco support prices can do nothing but continue to rise for several years to come. Higher prices have, on one hand, discouraged the foreign buyers in the American marketplace and, at the same time, encouraged other tobacco-producing countries to expand their output. The result has been America's selling less and less tobacco to foreign customers.

Of tremendous concern is the possibility that the farmer will have to further reduce his acreage. The declining trend in foreign sales, if continued, can only result in the farmers eventually taking another cut in their acreage allotments. The average allotment for tobacco farmers in my State is about eight-tenths of an acre. The farmers cannot take another acreage cut. The decline in our export market must be stopped and reversed so that the farmers can look forward to an urgently needed increase in allotments, rather than a cut.

The farmers should be given assurances that they can look forward to an increase in their allotments. The bill I am introducing would prevent any further acreage reduction for 1960, but would not forestall any increase which might be possible under the quotas formula.

Again, let me stress the need for prompt action. The Bright Belt Warehouse Association meets next week, I understand, to set the opening dates of the Flue-cured markets in southern Georgia and northern Florida. These markets usually open the latter part of July, which this year may be either July 21 or July 23. The Department of Agriculture will conduct its meeting to establish the 1959–60 loan rates for Flue-cured grades on July 7 in Richmond, Va. So Senators can see time is rapidly running out.

Mr. President, I send the bill to the desk and ask that it be appropriately referred; and I ask that the bill lie on the desk through Monday next in case any Senators, especially those of my colleagues who come from the tobacco-producing States, care to add their names as cosponsors.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Kentucky.

The bill (S. 2278) to amend section 101(c) of the Agricultural Act of 1949 and the act of July 28, 1945, to stabilize and protect the level of support for tobacco, introduced by Mr. MORTON, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

TAX RATE EXTENSION ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.

Mr. BENNETT. Mr. President, I ask the majority leader to yield me 10 minutes on the amendment.

Mr. JOHNSON of Texas. Mr. President, I yield 10 minutes to the Senator from Utah.

Mr. BENNETT. Mr. President, we have listened to the author and proposer of the amendment make some interesting claims and give some interesting explanations as to the reasons for this particular amendment. One of the explanations is that we have reached the time when too many people are investing in stocks, and because so many people are investing in stocks we must force more of them into investing in bonds, and the only way to do that is to remove this very slight relief which was given to stockholders 5 years ago.

Mr. President, I have my own impressions as to why people are investing in stocks and why the number of stockholders has doubled in about 5 years. Stocks have been represented to the American people by nearly every economist who calls himself an authority as being the perfect inflation hedge. The fact that so many people are putting their money into stocks rather than into bonds demonstrates their belief that they expect inflation in the years to come.

Most people do not realize that those who go to a broker and buy stock in an existing corporation are in fact buying a secondhand article. They are not investing money in new enterprises, but they are simply replacing the money which somebody else has already invested and is withdrawing.

There are some 400,000 corporations in the United States, and more are being formed every year. These corporations need fundamental capital, equity capital, capital which will stay with them when the going gets rough. They need people who have enough faith in the American enterprise system to put their money in stocks.

I know there are those in this body who feel that to invest in equity capital is somehow foolish. The thing to do is to loan the money to the corporation in the form of bonds, it is felt by some. The corporation, under that philosophy, should not be worried about equity capital, for when it needs money it should go to the bank and borrow it.

Equity capital is the basic, fundamental source of capital which is committed to a business. Bond capital and loan capital can be withdrawn. That kind of capital is not the basis on which one can build a permanent business.

The argument is made that the fact that people are not buying Government bonds as readily as they did indicates we should put the incentive somewhere else. I am sure my colleagues realize that income from bonds is balanced by the privilege a corporation has to deduct the interest on the bond as a business expense, so this is a kind of pass through. The Government itself gets very little, if any, net revenue from income under the bond system. However, income from stocks is, according to my philosophy, taxed twice.

The change which was made in 1954 was a very halting step to try to meet this problem. I know my friend from Minnesota says there is no such thing as double taxation.

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

Mr. BENNETT. It seems to me the Senator illustrated the fact that he did not understand the situation, at least as I do——

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

Mr. BENNETT. I would be glad to yield briefly. I am on limited time, also.

Mr. McCARTHY. I simply want to point out that the Senator from Minnesota did not say there was no such thing as double taxation. The Senator from Minnesota said that double taxation was quite common. If we are going to be concerned about double taxation with regard to some phases of the matter, we should be concerned about all of them. We could have reduced the excess profits taxes. We could have reduced the excise taxes. I would say the double taxation in this case is not glaring or obvious as it is in many other cases.

Mr. BENNETT. The Senator from Utah will be happy to accept the correction by his colleague, and then go on to say that in his experience, as a man who has been in business and who has operated a business belonging to a corporation, it does not make sense to assume one could avoid double taxation by reducing the corporate rate, which is only one form of taxation. If we had reduced the corporate rate slightly but still had required the stockholder to pay taxes on his income from dividends, it seems to me that essentially double taxation would still have existed.

I know there is a philosophy, which we have heard explained in the last half an hour, which states that the corporation is one entity and the individual is another entity and each must pay his own taxes. The fact that the corporation could not exist without the equity capital supplied by the individual is of no concern, it is felt.

I have been in a situation—and I am sure many other businessmen have been in the same situation—where I was faced with the practical problem, "Shall we operate the business as a partnership and pay one tax, or shall we operate as a corporation and pay 52 percent tax on all the profits and then have to pay taxes on all the money we get out of the business at the personal income tax rates?"

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

Mr. BENNETT. I will yield for a brief question.

Mr. McCARTHY. Would the Senator be willing to apply the argument to the case of the undistributed profits of a corporation, to say that since the corporation is this kind of a person we will tax the undistributed profits?

Mr. BENNETT. I should like to invite the attention of the Senator to the fact that the undistributed profits have already been taxed. They had to be taxed before they could go into surplus. So I do not see any reason why we should agree to tax them twice.

The Senator from Utah feels that in our growing economy, in which we desire to encourage investment of the savings of the people in new businesses, which must depend for permanence on equity capital, we should give serious consideration to maintaining at least this much encouragement to the stockholder who commits his savings to the equity capital of a corporation, and automatically subjects them to the full corporate tax rate, before he can hope to get anything out of the operation.

The Senator from Utah is one of the "Brave 13" who in 1954 took the same position on this issue as he now takes. The Senator from Utah feels that this is a step in the direction of incentive, encouragement, and taxing equity toward the people of the United States who have enough faith in our system to commit their savings entirely to the capital needs of a corporation.

I hope the Senate will reject the proposed amendment, and preserve the comparatively small protection given to the more than 12 million stockholders.

Mr. BUSH. Mr. President, will the Senator from Virginia yield me 15 minutes?

Mr. BYRD of Virginia. Mr. President, I yield 15 minutes to the Senator from Connecticut.

Mr. BUSH. Mr. President, I wish to associate myself with the remarks just made by the distinguished senior Senator from Utah [Mr. BENNETT] and to make a few additional observations in opposition to the amendment.

First, I ask unanimous consent to have placed in the RECORD that section of the report of the Committee on Finance on the Internal Revenue Code bill of 1954, consisting of the portion beginning near the bottom of page 5 and continuing through the middle of page 7, dealing with "Credits Against Tax: Dividends Received by Individuals."

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

IV. CREDITS AGAINST TAX

A. DIVIDENDS RECEIVED BY INDIVIDUALS (SECS. 34 AND 116)

(1) House changes accepted by committee: Under present law the earnings of a corporation are taxed twice, once as corporate income and again as individual income when paid out as dividends to shareholders. This is due to the fact that dividends, unlike wages or interest, do not constitute a deduction to the corporation.

This results in a higher tax burden on distributed corporate earnings than on other forms of income. In addition, it has contributed to the impairment of investment incentives. Capital which otherwise would be invested in stocks is driven into channels which involve less risk in order to escape the penalty of double taxation. This restricts the ability of companies to raise equity capital and has forced them to rely too heavily on borrowed money. The penalty on equity financing has been especially harmful to small business which cannot easily borrow funds and must rely on equity capital for growth and survival.

The House and your committee have reduced double taxation by adopting two related provisions: One (sec. 116) affords complete relief from the double tax on small amounts of dividend income. Under both versions of the bill an individual may exclude from his gross income up to $50 of dividend income received from a domestic corporation during a taxable year ending after July 31, 1954, and before August 1, 1955. In subsequent taxable years he may exclude up to $100 of his dividend income. These exclusions are granted for each taxpayer, which means that a husband and wife filing a joint return will have two exclusions where each is a dividend recipient.

In addition, the other provision (sec. 34) under both versions of the bill provides relief by making available a dividend-received credit for part of the corporate tax paid on the dividends in excess of the amount excluded. This is a credit against tax, equal to 5 percent of dividend income above the exclusion received after July 31, 1954, and before August 1, 1955, and 10 percent of dividend income above the exclusion received after July 31, 1955.

The amount of the credit is limited to 2 percent of taxable income in 1954, 7 percent in 1955 and 10 percent in subsequent years. This limitation retricts the credit to the amount of dividend income which actually enters into the tax base. The use of 2 percent and 7 percent for 1954 and 1955 removes the necessity of prorating income in the 2 years.

The August 1 date for the credit was selected in order to minimize the likelihood that corporations will change the dates of dividend payments in the year in which the credit is introduced or increased.

The relief offered by the dividend-received credit is limited to situations in which double taxation actually occurs. Accordingly, the dividend-received credit is not allowed with respect to dividends paid by foreign corporations or tax-exempt domestic corporations. Moreover, it does not apply to dividends of exempt farm cooperatives or to distributions which have been allowed as a deduction (in effect treated as interest) to a mutual savings bank, cooperative bank, or building and loan association. In addition, the dividend-received credit is not available to nonresident alien individuals not subject to the regular individual income tax. (For differences in the treatment of dividends of insurance companies under the House and your committee's bill, see (2) below.)

The proposed dividend exclusion and credit confers partial relief for double taxation in the most administratively feasible manner. Moreover, the method of adjustment adopted affords greater relief for the low-income investor than for those at higher income levels. The percentage reduction of tax under the combined dividend exclusion and credit is greatest in the lowest bracket and declines progressively as the income level rises. For example, in the case of a married couple filing a joint return, the 10-percent credit alone will reduce existing tax liabilities on dividend income in the $4,000 first bracket (subject to a 20-percent rate) by 50 percent; on dividend income in the $12,000–$16,000 bracket (subject to a 30-percent rate) by 33 percent; and on dividend income in the $32,000–$36,000 bracket (subject to a 50-percent rate) by 20 percent. At very high income levels, the percentage reduction in tax on dividend income will be about 11 percent.

The combination of a dividend exclusion and a credit for dividends received was was adopted in preference to various other methods to relieve the existing double taxation of dividend income. A credit to corporations for dividends paid would be unsatisfactory because it would in effect make the remaining corporation income tax an undistributed profits tax, or a tax on retained earnings, the principal source of equity capital. Also, a dividend-paid credit for corporations would completely relieve from tax dividends received by tax-exempt organizations.

The method of relief from double taxation selected is a modification of the dividends-received credit adopted in Canada in 1949. However, the present Canadian credit is 20 percent instead of 10 percent. Moreover, limiting the credit to the amount of taxable income, when it is less than the amount of dividends, is a restriction not imposed under the Canadian system. On the other hand, the dividend exclusion provided is more liberal than the Canadian method for persons receiving small amounts of dividend income.

In effect, the 5-percent or 10-percent credit exempts dividend income from 5 percent to 10 percent of the tax rate applicable to an individual's income. In this country,

prior to the middle 1930's, dividends were exempted from the normal individual income tax, which was generally the first bracket rate. This gave recognition to the fact that the income from which they were paid had already been taxed at the corporate level. It was not considered appropriate, however, to give a credit equal to the entire 20-percent first bracket rate.

Another suggestion has been to give the dividend recipient a deduction in computing taxable income for some specified percentage of dividends received instead of the credit against tax. However, this proposal was rejected because it gives higher proportionate tax relief to stockholders in the upper income brackets.

Mr. BUSH. Mr. President, I point out one or two interesting sections.

First, the proposed dividend exclusion and credit gives partial relief from double taxation in the most administratively feasible manner.

Moreover, the method of adjustment adopted affords greater relief for the low-income investor than for those at higher income levels.

The percentage reduction of tax under the combined dividend exclusion and credit is greatest in the lowest bracket, and declines progressively as the income level rises.

For example, in the case of a married couple filing a joint return, the 10 percent credit alone will reduce existing tax liabilities on dividend income in the $4,000 first bracket, subject to a 20 percent rate, by 50 per cent. With respect to dividend income in the $12,000 to $16,000 bracket, subject to a 30 percent rate, the tax liability would be reduced by 20 percent.

At very high income levels the percentage reduction in the tax on dividend income will be about 11 percent.

Who are the stockholders to whom reference is made, who are receiving what the Senator from Utah calls incentive tax treatment? That is exactly what it is. With all respect to my very warm friend, the senior Senator from Ohio [Mr. LAUSCHE], I could not agree with his analogy between Government bonds and equity investment. The two things are entirely different. The point is that American industry needs capital. It can obtain plenty of credit. What it needs is capital. It needs incentive for people to invest their money in American industry, so that more industries can be created and more jobs provided. That is one of the important things.

Therefore, this is a job-creating, incentive form of taxation, and that is one of the real justifications for it.

In the case of Government bonds, one is buying an obligation which is absolutely undoubted, so far as security is concerned. The Government cannot fail to pay its obligation in dollars. However, the reason why Government bonds are not as popular as they should be does not lie in the matter of tax consideration, but it is because of the way Congress has handled the fiscal affairs of the United States. The people of the country have begun to lose faith in it. That is the trouble with Government bonds. That is the reason we are having to increase the debt limit, and the reason we shall probably face the possibility of taking the lid off the interest rate, so as to make Government bonds comparably attractive with other high-grade investments of a credit nature. It is the duty of the Government to make its obligations attractive, and it should do so by sound fiscal measures. The Congress of the United States has the greatest responsibility in that respect.

Were it not for the high existing tax rates, both corporate and individual, this type of tax incentive would not be necessary at all. I would certainly look forward to the time—and I am sure almost every other Senator would—when we could reduce both corporate and individual tax rates, so as to get out of the confiscatory brackets and eliminate the need for such tax incentive methods as that provided in 1954.

I wish to turn my attention to the question of American stockholders, and discuss the question of who those people are. This is not a rich man's tax bill, although the rich may benefit from it to a certain extent.

There are 12,494,000 Americans today who own shares in public corporations. That is nearly double the number in 1952, and 45 percent over what the figure was in 1956. My recollection is that when the bill was passed in 1954 there were about 7½ million stockholders. Now there are approximately 12½ million stockholders. One of every eight adults is now a shareowner.

Sixty-eight percent of the shareowners own the stock which is listed on the New York Stock Exchange. The average shareowner has a median household income of $7,000. The comparable figure for a new shareholder is $6,900. Almost half the shareowners are in the $5,000 to $10,000 income tax bracket. The median age of new shareowners since 1956 has been 35 years, compared with 49 for all shareowners. So the young people are putting their money into stocks. Possibly it is the result of incentive taxation, but I think it is a good sign for the United States.

Women outnumber the men by a somewhat larger margin than they did in 1956. Four million housewives were shareowners, representing the largest single group of stockholders.

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

Mr. BUSH. I yield.

Mr. BENNETT. Is it not possible that many of the women are widows who must depend upon income from the stocks which their husbands accumulated?

Mr. BUSH. That is undoubtedly true. Trustees buy stock for the estates of people who are deceased, and undoubtedly hundreds of thousands, if not millions, of widows are involved.

Adult shareowners are almost equally divided between those who attended college and those who did not. One out of five shareowners first acquired stock through an employee stock purchase plan.

The holders of shares in investment companies—the so-called investment trust companies—number 1,235,000, which is four times the total in 1956.

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

Mr. BUSH. I yield.

Mr. McCARTHY. Does not the Senator understand that my amendment applies only to the tax credit, and not to the $50 deduction?

Mr. BUSH. It applies only to the tax credit.

Mr. McCARTHY. Only to the credit.

Mr. BUSH. I understand that.

Mr. President, I should like to make a few further observations with respect to stockholders.

An estimated 1,335,000 shareowners are members of labor unions; 1,275,000 out of 6,347,000 women shareowners are housewives who have jobs outside the home.

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

Mr. BUSH. I shall be glad to yield in a moment.

An estimated 136,000 members of the armed services own shares in public corporations. Fifty thousand U.S. citizens who live in foreign countries own shares.

Among adult shareholders, women outnumber the men in four of the five age groups. The exception is the group 65 years of age and older. In all other groups the women outnumber the men.

The cities of Berkeley, Calif., Hartford, Conn.—I am proud to say—Pasadena, Rochester, St. Petersburg, and Wilmington, Del., lead all other large cities in the proportion of shareowners to the total population. In each of those cities more than one out of five persons own shares of stock.

Mr. President, if the Senator from Illinois wants me to yield for a question, I will yield at this point.

Mr. DOUGLAS. Has not the Senator from Connecticut unwittingly perpetreated a very great fallacy? He has not told us the number of shares these people own. The facts are that the working people and housewives own but very few shares. The overwhelming proportion of the shares are owned by a relatively small proportion of persons in the upper income brackets. In fact, the Federal Reserve Bulletin for August of 1957, page 894, shows that 89 percent of all spending units—which is their term for families, own no stock whatsoever. The Senator from Connecticut, as an experienced banker, knows that fact perfectly well.

Mr. BUSH. The Senator from Illinois, as an experienced economist, also knows that everyone does not own the same number of shares. It is just as important for the man who owns 10 shares. He may be just as much interested in this question as the man who owns 200,000 or 2,000 shares.

Mr. DOUGLAS. In other words, the Senator from Connecticut considers this program to be on a 50–50 basis—one rabbit to one elephant.

Mr. BUSH. No, that is not the idea at all. I have just read into the RECORD factual information which shows that there is a very wide interest and a very wide participation in stock ownership. I am certain the Senator from Illinois knows and understands that very well.

I am also certain, although perhaps he will not admit it, that he knows perfectly well that it is a good thing for the United States to have all these people owning stock. I am sure he would like to see

the number of stockholders in this country increased. I ask him whether he would not.

Mr. DOUGLAS. Yes; of course. But I also think that the men who work and earn their living by the sweat of their brows have equal dignity and that they should not be taxed at a higher rate.

Mr. BUSH. I certainly agree that those people have equal dignity and that they should not be taxed at a higher rate; but I do not think they are being taxed at a higher rate. I believe this feature of the act which was passed in 1954, which was called incentive taxation, has had good results, and has demonstrated that it was a good idea because the amount of new capital which has gone into American industry has increased enormously, as has the number of stockholders.

I shall emphasize one thing more; then I will conclude. American industry needs capital. It needs more capital today. It is easy to get loans, but it is hard to get equity capital. The whole purpose of this phase of the legislation is to give some incentive to people who have savings to invest in American enterprise, so that American enterprise can continue to expand and to create jobs for the increasing population of the country.

Our economic system depends entirely—it depends absolutely and basically—upon the ability and the willingness of the people of the Nation to put their savings into the equities of American institutions. It has been their willingness in the past to do this which has enabled these institutions to grow and become strong and to create jobs for some 67 million persons in this country today.

I realize, of course, that we do not have the votes; nevertheless, I shall vote, as I did in 1954, against this proposal to remove this provision from the existing law.

I yield back the remainder of my time.

Mr. DIRKSEN. Mr. President, I yield 5 minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, earlier this afternoon the Senator from Minnesota [Mr. McCARTHY] referred to the fact that I was one of those who supported the amendment in 1954. He was correct. I did. When we deleted this section from the bill the Senate rejected the amendment, and the bill went to the House.

The conferees put the proposal back in the conference report. When the conference report came back to the Senate, on July 29, I still voted against the conference report which included this amendment.

We must be very careful when we change the tax laws, because we are establishing precedents. However, I note that when the House adopted the conference report as found in the CONGRESSIONAL RECORD, volume 100, part 9, page 12436, my friend from Minnesota [Mr. McCARTHY] voted for this conference report containing this provision.

Mr. McCARTHY. Mr. President, I want to have a clarification. Is the Senator from Delaware looking at the Senate vote or the House vote?

Mr. WILLIAMS of Delaware. I am looking at the House vote on page 12436. Among those answering the rollcall vote on the conference report, the Senator from Minnesota [Mr. McCARTHY] is listed as voting in the affirmative.

Mr. McCARTHY. Mr. President, I am uncertain whether the Senator from Delaware is referring to the Senator from Wisconsin or the Representative from Minnesota. If the Senator from Delaware had looked at the vote on the motion to recommit the bill when the House first had the chance to consider it, the Representative from Minnesota was recorded as voting against this provision, and also a number of other provisions, in 1954.

Mr. WILLIAMS of Delaware. That is correct. You voted against it one time and for it the next.

Mr. LAUSCHE. Mr. President, will the Senator from Delaware yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. LAUSCHE. Did the Senator from Delaware oppose the proposal to grant this, if I may call it so, special privilege to holders of stocks with respect to the payment of dividends?

Mr. WILLIAMS of Delaware. Yes, I did. At that time I spoke in support of the amendment that deleted the section.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired.

Mr. DIRKSEN. I yield 2 additional minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. At that time we were establishing a precedent. I am not changing my position on that. But I think we must not overlook the fact that when we amend the Revenue Code, we cannot change it back without proper notice being given to the parties concerned. But it has not been considered by the committee nor have any hearings been held.

We have before us again a bill on which we have agreed not to take amendments because this bill must be signed by next Tuesday.

I point out to the Senator from Minnesota that he himself, voted for the conference report, which included this provision at that time—if there had been enough of us at that time, we could have rejected the conference report in the Senate or House.

Mr. McCARTHY. I find that on page 12434, on the motion to recommit, the then Representative from Minnesota voted to recommit. Anyone who understands the procedures of the House knows that the vote on a motion to recommit is the significant vote. If that motion fails, then one might as well give approval to what has been done. I want the RECORD to show both votes.

Mr. WILLIAMS of Delaware. Both sides of your vote are shown.

Mr. LAUSCHE. Will the Senator from Delaware restate his position as it is today on this amendment?

Mr. WILLIAMS of Delaware. As of today, I am not going to support the McCarthy amendment to this bill now before us.

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

Mr. WILLIAMS of Delaware. If I have time, I will yield.

Mr. McCARTHY. The Senator from Delaware has a great reputation for fiscal responsibility. The Senator knows that in the bill before us right now, by, as I understand, a unanimous-consent acceptance earlier today, the Smathers amendment was included. This involves a loss of revenue of $240 million.

Yesterday, on the health fund amendment, in the Health, Education, and Welfare appropriation bill, the Senate, by a vote of 84 to 14, increased the appropriation by approximately $350 million. I do not know how the Senator from Delaware voted. But any Senator who believes in fiscal responsibility should have been here. If he is not going to support my amendment and some of the other amendments to restore revenue, he should certainly have voted against that appropriation, or else he should have been here to vote against the Smathers amendment when it was adopted.

The PRESIDING OFFICER. The time of the Senator from Delaware has again expired.

Mr. DIRKSEN. I yield 2 additional minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I agree fully with the Senator from Minnesota in this case. I may say that I was here, and I did vote against the appropriation to which he referred.

Mr. McCARTHY. I think the Senator from Delaware did.

Mr. WILLIAMS of Delaware. Furthermore I was in the committee and voted against the Smathers motion to repeal the transportation tax in the face of a deficit.

The reason I am opposed to these amendments is that we are dealing with a bill which provides for $3 billion in revenue. If it is not enacted—signed by the President—by midnight of next Tuesday, as was said earlier, the result will be a loss of $3 billion of revenue to the U.S. Government, a substantial part of which cannot be recovered. Therefore, I do not think this is a bill which we can loosely begin to amend. I have amendments, as I said earlier today, which I would like to offer, but I am not offering them to this bill. One of them deals with the depletion allowance. If the committee once begins to accept these amendments, where will we stop? That is the reason why I am not going to support the amendment of the Senator from Minnesota or any other amendment at this time. If we should start taking these amendments, revising the code, we may ultimately end up with the loss of $3 billion in revenue.

I do not question for one moment the sincerity of the Senator from Minnesota in offering his amendment. But, as the Senator knows, he being a member of the Committee on Finance we are trying to keep the bill confined strictly to the excise taxes which will expire as of midnight, June 30, next Tuesday, and to the extension of the corporate tax rates. I believe that is the best procedure to follow. I say that without in any way questioning the sincerity of the Senator from Minnesota in offering his amend-

ment. I only regret that he offers it at this time.

Mr. DIRKSEN. Mr. President, I yield 5 minutes to the Senator from Kentucky.

Mr. COOPER. Mr. President, the President of the United States vetoed today S. 1901, a bill which had been introduced in the Senate by the distinguished junior Senator from North Carolina [Mr. JORDAN] and myself. The bill passed the Senate by a voice vote. Later, it passed the House of Representatives by an overwhelming record vote.

I raise no question about the sincerity of the Presidents' action. I know that when he deals with agricultural bills, he is advised by the Secretary of Agriculture, Mr. Benson. I must say that in this case I believe the President was poorly advised; and that reasons given in his veto message are not sound. I regret that he has seen fit to veto Senate bill 1901, for I am sure that it is a sound bill, and that its enactment would have benefited tobacco farmers and the entire tobacco industry.

The Secretary of Agriculture, Mr. Benson, voiced his opposition to Senate bill 1901 at the last moment, when it was being debated in the Senate. The bill was opposed from the time of its introduction by leaders of the National Farm Bureau for reasons their representatives could never make clear.

Against this opposition, the record shows that the bill was supported by tobacco growers, tobacco cooperatives, farm organizations—including farm bureaus—in all the tobacco-growing States.

I know that tobacco growers and the tobacco industry who supported the bill know infinitely more about their problems and their programs than does the National Farm Bureau; and infinitely more about them than the Secretary of Agriculture, Mr. Benson.

I have no doubt that if the cotton farmers, the corn farmers, the wheat farmers, and others for whom the National Farm Bureau assumed to speak could have spoken for themselves on this matter, they would have had no objection to the enactment of this bill. For farmers everywhere have sympathetic regard for the problems of other farmers, and desire very much that other farmers do well.

Mr. President, this issue may not seem to some to be of great importance. But it is of great importance to the tobacco farmers of the country—to the 1 million farm families who depend upon tobacco for their livelihood.

I do not intend to detail again all the reasons which led the tobacco growers and all the tobacco organizations in the country to join in support of Senate bill 1901. But it is well to point out that it was for the purpose of stabilizing prices for a period which tobacco experts estimated would be 5 years, and possibly might extend to 10 years.

With such a period of stabilzed price, it would have undoubtedly stimulated exports, contrary to the opinion expressed in the veto message. Also it was designed to protect the small acreage allotments of farmers—and there are no large corporate tobacco farmers. The bill also affirmed—and I make no apology for it; I proclaim it—the desire of tobacco farmers to maintain fixed supports for tobacco at 90 percent of parity. Mr. Benson is evidently against fixed 90 percent supports for tobacco. But I can say that we will fight to maintain our tobacco program, and we will hold it despite opposition. There has never been a serious effort by the Congress to change the fixed 90 percent supports for tobacco enacted in 1948, by an amendment which I introduced and was joined by the late Senator Barkley. But the Secretary of Agriculture has evidently determined, for unclear reasons, that the present tobacco program—which suits and benefits the tobacco growers of the Nation, which at times has been approved in referendums conducted by the Department of Agriculture by the votes of 99 percent of tobacco growers, which has not cost the Government 1 cent in price support operations of the program during its life—should be changed.

Inferentially, the President's veto message, declares that it should be changed. I oppose any such change, and I am sure the Congress will not change the basic program of 90 percent support with acreage controls.

If other farm programs are in difficulty, there is no rationality—no sense—in changing the tobacco program, because it is a successful program.

Mr. President, I regret very much that the President saw fit to veto this bill. I do not know what will happen now.

A few minutes ago my colleague and friend, the junior Senator from Kentucky [Mr. MORTON], introduced a bill which is, as he says, an interim or stopgap proposal.

The PRESIDING OFFICER. The time yielded to the Senator from Kentucky has expired.

Mr. COOPER. Mr. President, will the Senator from Illinois yield 2 additional minutes to me?

Mr. DIRKSEN. Mr. President, I yield 2 additional minutes to the Senator from Kentucky.

The PRESIDING OFFICER. The Senator from Kentucky is recognized for 2 additional minutes.

Mr. COOPER. Mr. President, of course, I am aware of my colleague's interest in this problem. But, I must say that the bill he has introduced is, with one change, the bill and the same proposal that the American Farm Bureau Federation and Secretary Benson have wanted for tobacco from the outset. It is not the tobacco growers' bill, and does not meet their problems, but it may be the best we can get under the circumstances after the President's veto.

I intend to consult with my cosponsor, the Senator from North Carolina [Mr. JORDAN], with representatives of the tobacco States in the Congress, particularly the Kentucky delegation—all of whom so loyally supported S. 1901—and with tobacco growers and the farm organizations which represent them, before I make a decision as to the course of action we shall now take.

The arguments the President advances in his veto message are the same as the arguments the Secretary of Agriculture has used again and again regarding the tobacco program. They are the arguments the American Farm Bureau Federation used in opposition to S. 1901. The arguments in the message itself with respect to the level of support prices are inconsistent; but it is done.

While respecting the President's unquestioned sincerity, I regret the veto, for I sincerely believe the decision was wrong.

Mr. TALMADGE. Mr. President, will the Senator from Kentucky yield to me?

Mr. COOPER. I yield.

Mr. TALMADGE. I desire to compliment the distinguished Senator from Kentucky on the statement he has made. I concur in what he has said.

The tobacco farmers are the only commodity group in the Nation that came voluntarily to the Congress and requested that their price supports be reduced.

The bill was reported from the Senate Committee on Agriculture and Forestry, according to my recollection, unanimously; and the bill passed the Senate unanimously; and it passed the House of Representatives, as I recall, with about 100 votes to spare.

If the bill had been approved by the President of the United States, it would have reduced the price supports on tobacco $14 million, the first year.

Is it not true, I ask the Senator from Kentucky, that because the President has seen fit to veto the bill, the potential cost to the taxpayers, next year, will be $14 million greater?

Mr. COOPER. The veto message states that had Senate bill 1901, been enacted into law, we would have saved $14 million.

Mr. TALMADGE. In other words, the veto will cost the taxpayers money, while at the same time it will render a disservice to the tobacco farmers; is that correct?

Mr. COOPER. That is my opinion.

The PRESIDING OFFICER. The additional time yielded to the Senator from Kentucky has elapsed.

Mr. TALMADGE. I thank the Senator from Kentucky for yielding to me.

Mr. SYMINGTON. Mr. President, a dividend tax credit shifts the burden of $335 million in taxes from the receivers of dividends to other taxpayers of the Nation.

Despite the economic recovery, many middle-income families find it increasingly difficult to meet their financial obligations on their wage and salary income.

Many face heavy installment debt, especially under the higher interest rates which this administration has made it a policy to encourage.

Under these circumstances, we should not perpetuate a law which forces a family whose income is from wages and salaries to pay higher taxes than those paid by a family which receives an equivalent income from dividends. But this is the effect of the present dividend credit provision.

Under existing law, a married man with two dependents who has $10,000 of income from wages and salary pays a tax of approximately $1,372; whereas

a married man with two dependents who has $10,000 of income from dividends pays a tax of approximately $1,091—a difference of approximately $280.

Mr. President, in the interest of equality of taxation for families of moderate means, I urge the repeal of this provision.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. McCARTHY. Mr. President, may I ask how much time I have remaining?

The PRESIDING OFFICER. The Senator from Minnesota has 8 minutes remaining.

Mr. McCARTHY. And how much time is remaining to the opposition?

The PRESIDING OFFICER. Seven minutes remain to the opposition.

Mr. McCARTHY. May I ask the distinguished chairman of the committee whether he has any further requests for time?

Mr. BYRD of Virginia. The majority leader is in control of the time.

Mr. JOHNSON of Texas. I have no requests.

Mr. McCARTHY. May we have the yeas and nays of my amendment?

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays on the amendment of the Senator from Minnesota.

The yeas and nays were ordered.

Mr. McCARTHY. Mr. President, I think that in the course of this nearly 1 hour and a half of debate the issue or the stake has been made clear. I would point out, in case anyone has been confused by the remarks of the Senator from Delaware [Mr. WILLIAMS], that the 2 votes to which he referred in my case were not restricted to this particular amendment, but involved a very comprehensive tax bill. But in the case of the Senator from Delaware, in 1954 he had a clear vote on this specific issue, and he has the same clear vote here today.

I should like to make two or three points regarding my amendment. The first is on the ground of fiscal responsibility. The bill, with the committee amendments, before the Senate now does not raise $3 billion. With the amendment relating to the excise tax on passenger transportation, it will fall short by approximately between $200 million and $250 million. In addition, I should like to remind Senators that the action taken on the Health, Education, and Welfare appropriation bill resulted in an increase of appropriations above the budget by approximately $350 million.

My amendment, which, it should be clearly understood, is not a new proposal, but is one which has been considered by the Congress, and thoroughly considered and thoroughly discussed here today, would restore to the Treasury approximately $335 million.

Those Senators who wish to make a stand, therefore, on the basis of fiscal responsibility would make a better record by supporting this amendment.

I point out again to the Senate that when this amendment was considered in 1954, the vote in the Senate was 71 in favor and only 13 against. At that time the principal argument which was made in support of granting this special privilege was that we needed to encourage investment in the stock market. As I said earlier, I questioned the argument at that time. Certainly, everybody will agree that there is no need for any special stimulation or encouragement to induce or entice or force people into making stock market investments.

At the same time that argument was made, it was stated that there were not enough savings going into the bond market. I think everyone knows what the problem is in the bond market today.

But more important than any of those arguments is the basic consideration of justice, the question of whether or not we wish, under the personal income tax laws of this country, to give preferential treatment to income which is derived from dividends over and above income which is derived from wages and salaries or from interest or from rent.

This, to me, is a fundamental question. It takes us back to what is basic to any consideration of a tax structure or of a tax program or of a tax policy—the basic question of equity and of justice.

I think every Member of the Senate is concerned about the erosion of the tax base and is concerned about the possible loss of confidence on the part of the people in the income tax laws of the United States. My amendment, it seems to me, if adopted, if understood by the people of the country, will serve to restore their confidence. It will do so by removing what is a gross inequity, by removing a preferential treatment which is contrary to the traditions of the United States, as was so well pointed out in the debate on this amendment in 1954.

It is my opinion that the cause of equity and justice will best be served by the adoption of my amnedment and that, in addition, the cause of fiscal responsibility on the part of the Congress will be clearly demonstrated. Furthermore, it is my opinion that the adoption of the amendment will help to restore a better balance between investment in corporate securities in the form of stock and investment in bonds of all kinds, including Government bonds.

Mr. President, I yield back the remainder of my time.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The question is on agreeing to the amendment offered by the Senator from Minnesota. All time has been yielded back, the yeas and nays on the amendment have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. McGEE], the Senator from Montana [Mr. MURRAY], and the Senator from Florida [Mr. SMATHERS] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation for parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. McNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

On this vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Alaska would vote "yea" and the Senator from Indiana would vote "nay."

The Senator from Idaho [Mr. CHURCH] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Idaho would vote "yea" and the Senator from Florida would vote "nay."

I further announce that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. McGEE], the Senator from Michigan [Mr. McNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART] and the Senator from Kansas [Mr. CARLSON] are absent on official business as Members of the U.S. delegation to conference in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

On this vote, the Senator from Indiana [Mr. CAPEHART] is paired with the Senator from Alaska [Mr. GRUENING].

If present and voting, the Senator from Indiana would vote "nay" and the Senator from Alaska would vote "yea."

The result was announced—yeas 47, nays 31, as follows:

YEAS—47

Allott	Hartke	Magnuson
Anderson	Hayden	Mansfield
Bartlett	Hennings	Monroney
Bible	Hill	Moss
Byrd, W. Va.	Jackson	Neuberger
Cannon	Johnson, Tex.	Pastore
Carroll	Johnston, S.C.	Proxmire
Clark	Jordan	Randolph
Dodd	Keating	Russell
Douglas	Kefauver	Sparkman
Engle	Kennedy	Symington
Ervin	Kerr	Talmadge
Frear	Langer	Williams, N.J.
Fulbright	Lausche	Yarborough
Gore	Long	Young, Ohio
Hart	McCarthy	

NAYS—31

Beall	Eastland	Robertson
Bennett	Ellender	Saltonstall
Bridges	Goldwater	Schoeppel
Bush	Hickenlooper	Scott
Butler	Hruska	Smith
Byrd, Va.	Javits	Stennis
Case, N.J.	Kuchel	Thurmond
Cooper	McClellan	Williams, Del.
Cotton	Martin	Young, N. Dak.
Curtis	Morton	
Dirksen	Mundt	

NOT VOTING—20

Aiken	Green	Murray
Capehart	Gruening	Muskie
Carlson	Holland	O'Mahoney
Case, S. Dak.	Humphrey	Prouty
Chavez	McGee	Smathers
Church	McNamara	Wiley
Dworshak	Morse	

So Mr. McCARTHY's amendment was agreed to.

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McCARTHY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Minnesota to lay on the table the motion of the Senator from Texas to reconsider.

The motion to lay on the table was agreed to.

Mr. CLARK. Mr. President, on behalf of myself, the Senator from Illinois [Mr. DOUGLAS], the Senator from Wisconsin [Mr. PROXMIRE], the Senator from Minnesota [Mr. McCARTHY], the Senator from Maine [Mr. MUSKIE], the Senator from Utah [Mr. Moss], and the Senator from Wyoming [Mr. McGEE], I call up my amendment No. 1, ask that it be stated, and ask that the yeas and nays be ordered on the amendment.

Mr. JOHNSON of Texas. Mr. President, I hope we can have the yeas and nays.

The yeas and nays were ordered.

Mr. CLARK. Mr. President, before the clerk reads the amendment, may I say to my friends——

Mr. JOHNSON of Texas. Mr. President, may we have order in the Chamber, please.

The PRESIDING OFFICER. The Senate will be in order.

Mr. CLARK. Mr. President, before the clerk reads the amendment, may I say to my friends on both sides of the aisle I hope very much we can dispose of this amendment in 20 minutes or less. I will make my presentation very brief, and I hope Members of the Senate will stay in the Chamber so that we can have a vote before 6 o'clock.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. It is proposed to insert at the proper place the following section:

SEC. . That (a) section 162 of the Internal Revenue Code of 1954 (relating to trade or business expenses) is amended by redesignating subsection (d) as (e) and by inserting after subsection (c) the following new subsection:

"(d) DEDUCTIONS DENIED IN CASE OF CERTAIN EXPENSES.—No deduction shall be allowed under subsection (a) for any expenses paid or incurred for—

"(1) entertainment (unless entertainment is the trade or business of the taxpayer and the expenses are paid or incurred to further such trade or business), *Provided*, That any such entertainment expenses, which would have been deductible prior to the enactment of this Act, may be deducted in an amount not to exceed a total of $1,000 in any taxable year;

"(2) gifts;

"(3) dues or initiation fees in social organizations; or

"(4) travel to places outside the United States, Canada or Mexico to attend conventions or for advertising purposes (unless conventions or advertising is the trade or business of the taxpayer and the expenses are paid or incurred to further such trade or business)."

(b) The amendment made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

Mr. CLARK. Mr. President, I yield myself 5 minutes.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. JOHNSON of Texas. Would the Senator be willing to vote at 6 o'clock on his amendment, the time to be equally divided, so that Members will be encouraged to remain in the Chamber?

Mr. CLARK. I would.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the vote on this amendment be taken at 6 o'clock p.m., the time to be equally divided.

Mr. BENNETT. Mr. President, reserving the right to object, I assume that the time between now and 6 o'clock will be equally divided?

Mr. JOHNSON of Texas. Yes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CLARK. Mr. President, I yield myself 5 minutes.

This amendment would deny deduction of entertainment expenses paid or incurred in excess of $1,000 per taxpayer per annum. The purpose of the $1,000 exemption is to take care of the small business man who has a legitimate need for a modest deduction for entertainment allowance as a business expense.

The amendment would also deny deductions for tax purposes of the expenses of business gifts, dues or initiation fees in social organizations, and travel to conventions, or for advertising purposes to places outside the United States, Mexico, and Canada. If approved, it would increase revenues by many hundreds of millions of dollars. It would help to bring in the money necessary to pay for the defense of our country, and for health, welfare, and education. It would assist us to balance the budget, and help us to have a surplus to apply on the national debt.

In effect, this amendment would declare the "swindle sheet" illegal for purposes of income tax deduction. Hereafter the big expense account spenders would have to pay their own way, without making Uncle Sam an involuntary partner.

The amendment would prohibit deductions for expenses in excess of $1,000 incurred for entertainment at night clubs, theaters, athletic events, and horse races or on yachts. It would deny a deduction for the expenses of safaris to Africa.

Earlier today I cited, as I did on Wednesday before the Finance Committee, several scandalous cases involving the kind of deduction which is at present permitted under the ordinary and necessary business expense rule of the Internal Revenue Code. Let me take one moment to cite an example or two.

A couple went to Africa by way of London, Paris, and Rome. They spent $17,000 on a safari, killing big game animals and making motion pictures. The couple were experienced big game hunters. The husband was the president of a dairy company in the United States. The dairy was allowed to deduct as a business expense the entire $17,000 which went into that safari, on the ground that the advertising value of the films and the big game heads which were put up in the office of the dairy made this a business expense.

Case No. 2 involved a well-known, very attractive actress, who was allowed deductions as ordinary and necessary business expenses of the costs of certain gifts she gave to movie associates, including $800 worth of jewelry to her dialogue director; a $775 painting to her agent, and a $900 silver tea set to her dress designer. She testified that these were not personal gifts, but purely business expenses and that the value of the gifts was commensurate with services rendered. The court believed her and the deductions were allowed.

If my amendment is adopted, such deductions will be prohibited.

An Internal Revenue Service spokesman has estimated that between $1 billion and $2 billion a year of revenue which would otherwise come into the U.S. Treasury is lost because of deductions claimed for expense account spending. Unquestionably a large part of those deductions should be disallowed in my opinion.

It has been suggested that my amendment would put every big American company out of business. It would do no such thing. It would merely take Uncle Sam out of the business of underwriting up to 52 cents of every dollar of cost involved in expenditures of this kind, which in my judgment are not only unethical and immoral, but are costing the Treasury money which it badly needs to balance the budget at this time.

Mr. President, I reserve the remainder of my time.

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

Mr. CLARK. I yield my friend from Ohio 2 minutes.

Mr. LAUSCHE. Would the tax deduction allowance be the same under the Senator's amendment for every corporation, regardless of the volume of its business and income?

Mr. CLARK. The Senator is correct. I would have eliminated the $1,000 exemption in the prohibition of entertainment expenses if I did not feel that small business was entitled to some break.

Mr. LAUSCHE. The amendment provides that if the corporation does $25,000 in business, it shall have the same rate of deductions as a corporation which does $500 million worth of business?

Mr. CLARK. The Senator is correct. The theory of the amendment is that Uncle Sam should not have to pay for entertainment expenses.

Mr. LAUSCHE. That is the theory under which the Senator has made the allowance identical for all companies.

Mr. CLARK. The Senator is correct. It is my view that entertainment should not be a permissible business expense deduction.

Mr. LAUSCHE. If the Senator did not have that interpretation of entertainment expense, would he subscribe to the idea that there should be some proportional scale which would be applicable to small corporations, and would take into consideration the various stages of their growth into larger corporations?

Mr. CLARK. I have completely eliminated deductions for the expenses of gifts, dues, or initiation fees in social organizations, and travel to places outside the United States, Canada, or Mexico, to attend conventions, or for advertising purposes. I would have completely eliminated entertainment expense, except that I thought that would be unfair to small business, and that is the reason for the $1,000 blanket exemption.

Mr. BENNETT. Mr. President, will the Senator from Virginia yield me 4 minutes?

Mr. BYRD of Virginia. Mr. President, I yield 4 minutes to the Senator from Utah.

Mr. BENNETT. Mr. President, when this amendment was discussed in committee, there were no hearings on it. The committee had no opportunity to consider the definition of these words. What is "entertainment"? Can a businessman take another businessman to lunch? Certainly a large corporation could not buy many lunches for $1,000.

The amendment would prohibit gifts. Does that mean that a business concern in the habit of putting out a ballpoint pen with its name on it must discontinue that practice, and no longer give such a gift as advertising? It is a gift, and is useful. My point is that the amendment is hastily drawn, and there has been no opportunity to study the language. The language has been changed two or three times. In the committee we pointed out that it was very hastily and loosely drawn.

It was also pointed out that the Internal Revenue Service is now studying this problem. There will be other opportunities to hold hearings on the subject, and to write carefully drawn definitions of such words as "entertainment" and "gifts."

While I agree that there have been abuses, and I should like to see them corrected, I believe that a proposal to limit expenses for lunches to $1,000 a year, in the case of a giant corporation, is entirely unrealistic.

I know that it may be suggested that the amendment be taken to conference. I shall not oppose such a request, but I believe the Senate should realize that we are acting hastily, in such a way as to create a situation which would be impossible to understand. I do not believe it would be possible to administer such a provision without a great amount of work on definitions.

Mr. BYRD of Virginia. Mr. President, I have consulted a number of members of the Senate Committee on Finance. This is a very complicated amendment, and requires a great deal of further consideration. However, I shall be willing to take it to conference and see what can be done with it.

Mr. CLARK. Mr. President, my friend is kind, indeed. I reaffirm my affection and respect for my friend from Virginia. I say this with the best possible motives. Does the Senator from Virginia feel that this is an amendment which he could support in conference?

Mr. BYRD of Virginia. I certainly support the principle of the amendment. It would require a great deal of thought and attention to determine whether or not it is properly worded. One item which is excluded is gifts. Gifts are not deductible unless they are a business expense. All gifts would be prohibited.

Mr. CLARK. I am grateful for my friend's concession, and I certainly expect to accept it.

Let me say to my friend from Utah, with respect to the ballpoint pens, that if the name of the concern were on the ballpoint pen, it would be advertising, and advertising expense could still be deducted as ordinary and necessary business expenses. If the name of the firm were not on the pen, the concern would have to pay for giving it away, and Uncle Sam would not be put into the business of making a contribution of 52 cents out of every dollar for unsolicited gifts of ballpoint pens.

Mr. President, we worked for 2 months on this amendment. We had expert advice, including informal advice from present and past Treasury officials. The amendment was not drawn in haste. The last version was slightly different from the version before the Senate committee, but not very much different. I would not want my friends to think that this is a hastily drawn amendment, or one drafted at the last minute. It is not.

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

Mr. CLARK. I shall be glad to yield. However, I hope the time will be charged against the time of the opposition.

The PRESIDING OFFICER. Which side is yielding time?

Mr. BYRD. I yield 2 minutes to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I should like to ask the Senator from Pennsylvania if it is his intention, under the term "gifts," to include gifts which the taxpayer might give to an employee?

Mr. CLARK. Yes.

Mr. CURTIS. That expense would not be deductible?

Mr. CLARK. The Senator is correct, unless the gifts were in the nature of payment for services rendered.

Mr. CURTIS. Mr. President, I yield back the remainder of my time.

Mr. SMATHERS. Mr. President, will the Senator from Virginia yield 2 minutes to me?

Mr. BYRD of Virginia. Mr. President, I yield 2 minutes to the Senator from Florida.

Mr. SMATHERS. I supported the amendment in committee. I did so only from the standpoint of principle. However, I cannot help but feel that, as the able chairman of the Committee on Finance has said, the amendment is so loosely drawn as to be vague and indefinite.

For example, there is the word "conventions." The expense of travel to places outside the United States, Canada or Mexico to attend a convention is not deductible. Suppose a famous neurosurgeon went to London to exchange information for the betterment of humanity. We may wish to increase trade with Argentina or Brazil. If we send a trade mission to either place the expenses involved should be deductible. Worthy undertakings ought to be encouraged.

The word "yacht" is used here. It is not clearly expressed what kind of yacht it is, whether it is 12 feet long or what the tonnage is.

Mr. CLARK. The word "yacht" is not in the amendment which is before the Senate. The Senator from Florida must have an earlier amendment in his possession.

Mr. SMATHERS. I do not want to say that I disagree at all with the principle the Senator from Pennsylvania espouses. Abuses in this area ought to be stopped. As the Senator from Utah [Mr. BENNETT] pointed out a moment ago, the Commissioner of Internal Revenue, on June 12, 1955, issued a warning. I will not take the time of the Senate to read it, but he said that all hunting trips tending to be sporting trips, entertainment which was company supported, and the use of automobiles for entertainment purposes, would be examined by the Internal Revenue Service. It appears that what is sought to be accomplished is to legislate in an area where abuses can and ought to be corrected administratively.

Mr. CURTIS. Mr. President, if the term "gifts" includes charitable gifts, and business organizations of the country can no longer make contributions to colleges and other fine institutions, and get a deduction for them, I think that provision should be corrected.

Mr. CLARK. Charitable gifts are permitted under another section of the code which would not be affected by the amendment.

Mr. BENNETT. I point out to the Senator from Florida that there can be no conventions in the Caribbean, leaving Florida. They are not listed. In other words, this is so drawn that it will

not interfere with many of the customs of business.

Mr. SMATHERS. The Senator from Utah must have misunderstood my position. I was trying to be on the same side as he was when we started. I think the amendment is loosely drawn. I believe the intent is good. Abuses have occurred. But we should not prohibit a proper business deduction.

Mr. CARROLL. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Colorado will state it.

Mr. CARROLL. What is the situation with respect to time?

The PRESIDING OFFICER. The Senator from Pennsylvania has 6 minutes remaining; the Senator from Virginia has 3½ minutes remaining.

Mr. CARROLL. Mr. President, will the Senator from Pennsylvania yield 2 minutes to me, so that I may propound an inquiry to the Senator from Virginia?

Mr. CLARK. Certainly.

Mr. CARROLL. I commend the Senator from Virginia for agreeing to take the amendment to conference. We have a practical problem here. We know that in conference, the other body is very jealous and zealous with respect to its prerogatives. But the point is that we are proposing a principle. I agree with the Senator from Virginia and the Senator from Florida that the Senate has a chance to go on record in support of this principle. But the Senator from Pennsylvania [Mr. CLARK] has said that this is a matter of moral and ethical consideration. It is sweeping the whole country. The people know about the loopholes. The people of the country are sick and tired of what is going on with respect to the evasion of tax laws. That is why the Internal Revenue Service has issued the statement which it has.

Here is a chance for the Senate to go on record. Let the distinguished Senator from Virginia take the amendment to conference. I will be frank; I do not think much will come out of it. But here is a chance for the Senate to go on record and to let the Internal Revenue Service and the Committee on Ways and Means, which proposes to review the tax laws, know our opinion. This amendment can serve as a symbol, coming from the Senate.

I commend the Senator from Pennsylvania for his amendment, and the Senator from Virginia for agreeing to take it to conference.

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

Mr. CLARK. I yield.

Mr. DODD. What concerns me is the comparable practice which is followed in other countries. Has any effort been made to compare our tax situation with the tax situation prevailing in Great Britain, Germany, or France? Are businesses in those countries allowed to entertain freely? Would our business enterprise be at a disadvantage if this amendment were adopted?

Mr. CLARK. We made no particular effort to check the tax laws of other countries. It seems to me that the issue here is whether we are going to leave Uncle Sam in a 52-percent partnership with the big expense account spenders.

Mr. DODD. I understand that. But I think we should compare our tax situation with that of our competitors throughout the world. We are trying to promote trade all over the world. If our foreign business competitors are allowed to entertain prospective customers, make trips abroad, and do other things which American businessmen are not permitted to do and still receive tax credit, American business will be at a disadvantage in the competition for foreign markets. I do not know that this is so, but I think it would be prudent for us to determine the facts before passing on this question.

Mr. CLARK. Mr. President, if the opponents are prepared to yield back the remainder of their time, I am prepared to yield back the remainder of my time. The yeas and nays have been ordered, so I call for a vote.

Mr. BYRD of Virginia. Mr. President, it is customary——

Mr. BENNETT. Mr. President, if the chairman of the committee is willing to take the amendment to conference, it is customary, at least in the Senate, to trust the conferees.

Mr. CLARK. I trust the conferees implicitly. I should simply like to show the other body to what extent the Senate is in favor of my amendment; therefore, I must insist on the yeas and nays.

Mr. BYRD of Virginia. I thought I was being helpful.

Mr. SMATHERS. I recommend, then, that the Senator from Virginia withdraw his willingness to accept the amendment and that the yea-and-nay vote be in order. I, for one, would support the principle, but I would not support the amendment as it is now drawn.

Mr. BYRD of Virginia. I have been both the chairman of the committee and a member of the committee for 26 years. I do not ever recall a similar situation, when the chairman was willing to take an amendment to conference; and then the sponsor of the amendment demanded a yea-and-nay vote.

Mr. CLARK. The debate has indicated clearly that a number of Senators do not agree with the chairman. I should like to see what the vote will be.

Mr. BYRD of Virginia. Then I withdraw my offer to accept the amendment and take it to conference.

Mr. DIRKSEN. Mr. President, I do not know how other Senators feel, but certainly I shall not vote for the amendment. The Internal Revenue Service has the authority to determine what is a proper business deduction. When we go much further than that, it is hard to spell out the definition. We get into all sorts of trouble.

The present Commissioner of Internal Revenue, Mr. Dana Latham, of California, has already moved deeply into this field. I think he has performed splendid service. Now, it is proposed to make the interpretive problems of the Internal Revenue Service more difficult. By spelling out what is a convention and what is not a convention, what is entertainment and what is not entertainment, we shall be limiting the Commissioner and tying his hands when, as a matter of fact, that has always been a question of administrative determination.

We shall be writing rigidities into the law here and now which will spell difficulty for business everywhere, at a time when competition is very keen.

I earnestly hope the amendment will be rejected, as it should be. It has no place in the bill now, when we are up against a deadline with respect to taxes.

Mr. CLARK. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from Pennsylvania has 2½ minutes remaining.

Mr. BRIDGES. Mr. President, will the Senator from Illinois yield me half a minute?

Mr. DIRKSEN. I yield.

Mr. BRIDGES. I commend the distinguished minority leader [Mr. DIRKSEN] for his very fair, clear, and courageous statement. He is right. The amendment should be voted down.

Mr. DIRKSEN. If business has to make a showing of fact as to whether a deduction is a proper business deduction, and if a company gets into difficulties, it can go to the Tax Court. So long as the Internal Revenue Service is bearing down on business now, why should we interfere with the operations of the Service and try to tie their hands?

Mr. GOLDWATER. Mr. President, may I ask the distinguished chairman of the committee if representatives of business were given a chance to appear before the committee and testify on this amendment, and did the committee have an opportunity really to determine what business thinks are really legitimate, deductible expenses?

Mr. BYRD of Virginia. When the amendment came before the committee, it was defeated by a vote of 10 to 4. I think that since then the Senator from Pennsylvania has changed the amendment.

Mr. CLARK. That is correct.

Mr. BYRD of Virginia. So this is a new amendment; it has not been considered by the Committee on Finance.

Mr. GOLDWATER. Were hearings held on the amendment?

Mr. BYRD of Virginia. No, in hearings; the only presentation was made by the Senator from Pennsylvania.

Mr. GOLDWATER. Then, American business representatives have not had an opportunity to explain how they operate in this field?

Mr. BYRD of Virginia. The amendment of the Senator from Pennsylvania, as offered in committee, was rejected by a vote of 10 to 4. But, this is a new amendment. If it should be adopted in its present form, it will have to be worked out in conference.

Mr. COOPER subsequently said: Mr. President, I ask unanimous consent to have inserted in the body of the RECORD at a place preceding the vote on the amendment offered by the senior Senator from Pennsylvania [Mr. CLARK] relating to exemptions for entertainment, travel, gifts, and so forth—a statement explaining my vote supporting the amendment.

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

STATEMENT BY SENATOR COOPER

The amendment offered by the senior Senator from Pennsylvania [Mr. CLARK] is right in principle—that is to restrict tax exemptions that can be claimed for entertainment and the like. While I am sure that the overwhelming majority of our business people are circumspect in claiming such exemptions there is undoubtedly some padding of claims for exemptions under the heading of entertainment, travel, and gifts, and it should be more closely guarded.

I must say frankly that the amendment offered by the Senator from Pennsylvania is loosely drawn and deserves more careful drafting.

Nevertheless, I vote for it, because if the Senate adopts the amendment it can go to conference between Senate and House conferees where the amendment can be studied, drafted properly, and adjusted so that it will protect the legitimate expenditures of taxpayers. But if we fail to adopt it—there will be no opportunity to enact into law the principle which the amendment expresses. Therefore I will vote for the amendment.

Mr. CLARK. Mr. President, I yield back the remainder of my time and call for a vote.

Mr. JOHNSON of Texas. Mr. President, is any time left?

The PRESIDING OFFICER. Time remains on the bill.

Mr. JOHNSON of Texas. I yield myself 1 minute on the bill.

I had hoped that the generous offer of the Senator from Virginia [Mr. BYRD] to take the amendment to conference would be accepted, in an attempt to have it properly drafted. Since that is not acceptable, I shall not vote for what I know and what I believe to be a poor amendment. I think we could make progress if the amendment were taken to conference. But I shall not vote for the amendment in its present form. I think it is poorly drafted. I do not think it is a good amendment. I hope it will be rejected.

The PRESIDING OFFICER. All time has been yielded back. The question is on the amendment of the Senator from Pennsylvania [Mr. CLARK]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. MCGEE] and the Senator from Montana [Mr. MURRAY] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation for parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

On the vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Alaska would vote "yea," and the Senator from Indiana would vote "nay."

The Senator from Idaho [Mr. CHURCH] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Idaho would vote "yea," and the Senator from Florida would vote "nay."

The Senator from Oregon [Mr. MORSE] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from Oregon would vote "yea," and the Senator from New York would vote "nay."

I further announce that, if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. MCGEE], the Senator from Michigan [Mr. MCNAMARA], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business, as members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the ceremonies at the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from New York [Mr. JAVITS] and the Senator from Wisconsin [Mr. WILEY] are detained on official business.

On this vote, the Senator from Indiana [Mr. CAPEHART] is paired with the Senator from Alaska [Mr. GRUENING]. If present and voting, the Senator from Indiana would vote "nay," and the Senator from Alaska would vote "yea."

On this vote, the Senator from New York [Mr. JAVITS] is paired with the Senator from Oregon [Mr. MORSE]. If present and voting, the Senator from New York would vote "nay," and the Senator from Oregon would vote "yea."

The result was announced—yeas 34, nays 44, as follows:

YEAS—34

Bartlett	Hart	Moss
Bible	Hennings	Neuberger
Byrd, W. Va.	Hill	Pastore
Cannon	Jackson	Proxmire
Carroll	Keating	Randolph
Case, N.J.	Kefauver	Sparkman
Clark	Kennedy	Symington
Cooper	Langer	Williams, N.J.
Douglas	McCarthy	Yarborough
Engle	Magnuson	Young, Ohio
Fulbright	Mansfield	
Gore	Monroney	

NAYS—44

Allott	Curtis	Hayden
Anderson	Dirksen	Hickenlooper
Beall	Dodd	Hruska
Bennett	Eastland	Johnson, Tex.
Bridges	Ellender	Johnston, S.C.
Bush	Ervin	Jordan
Butler	Frear	Kerr
Byrd, Va.	Goldwater	Kuchel
Cotton	Hartke	Lausche
Long	Russell	Stennis
McClellan	Saltonstall	Talmadge
Martin	Schoeppel	Thurmond
Morton	Scott	Williams, Del.
Mundt	Smathers	Young, N. Dak.
Robertson	Smith	

NOT VOTING—20

Aiken	Green	Morse
Capehart	Gruening	Murray
Carlson	Holland	Muskie
Case, S. Dak.	Humphrey	O'Mahoney
Chavez	Javits	Prouty
Church	McGee	Wiley
Dworshak	McNamara	

So Mr. CLARK's amendment was rejected.

Mr. JOHNSON of Texas. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. DIRKSEN. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. LAUSCHE. Mr. President, I move that the vote by which the committee amendment dealing with removal of the excise tax on the transportation of persons was agreed to by the Senate this morning, be reconsidered.

The committee amendments were agreed to without objection. One of the committee amendments dealt with the removal of the excise tax on the transportation of persons on all forms of transportation. That action was taken at approximately 11 a.m. It is my understanding that at that time there were very, very few Senators on the floor; and the amendments were agreed to without any objection.

Mr. JOHNSON of Texas. Mr. President, let me say to the Senator from Ohio that the action was taken by a voice vote, and it was taken after a quorum call. The Chair put the question, as follows: "As many as are in favor will say 'aye'; those who are opposed will say 'no.'"

It is very difficult to bring other Senators to the floor. We had quorum calls after quorum call, in trying to get them to come to the floor. Each committee amendment was taken up; and the Chair did the unusual thing, I think, of calling for a vote on each particular amendment, instead of saying "without objection."

Mr. LAUSCHE. Let me say that there is no justification for the majority leader to construe what I said as an implication that anything which was done was wrong. I merely stated that very few Senators were on the floor at that time.

Mr. President, I shall present my case in approximately 5 minutes, if I am permitted to do so.

The PRESIDING OFFICER. Will the Senator from Ohio state to which of the committee amendments his motion to reconsider is addressed?

Mr. LAUSCHE. It is the committee amendment by means of which the excise tax on the transportation of persons was repealed. It begins on page 4, in line 9, and ends in line 4 on page 5. The amendment repeals the excise tax on the transportation of persons.

The PRESIDING OFFICER. The Senator from Ohio has moved that the

vote by which that amendment was agreed to be reconsidered; is that correct?

Mr. LAUSCHE. That is correct.

The PRESIDING OFFICER. How much time does the Senator from Ohio yield to himself?

Mr. LAUSCHE. Mr. President, in 5 minutes I shall be able to present my views on this matter.

The PRESIDING OFFICER. Very well; the Senator from Ohio is recognized for 5 minutes.

Mr. LAUSCHE. In dealing with these amendments contemplating the collection of more taxes, I assume we contemplate putting our fiscal house in order. I assume the feeling of the Senate is that in order to induce American citizens to invest in bonds, we ought to create a fiscal situation which will instill in them a feeling of confidence that what they are buying is sound.

The repeal of the passenger transportation tax will entail a loss in revenues, according to my understanding, in the sum of $250 million. The argument is made that the excise taxes imposed during the war ought to be repealed. I would be the first to urge the repeal of all of them, but I respectfully submit to my colleagues we are not out of war. We are factually and realistically in a state of war.

There is a $13 billion deficit for this fiscal year. My anticipation is that there will be a $3 billion or $4 billion deficit for the fiscal year 1960. This is not the time, in spite of our wishes, to reduce the revenues of our Government and to further create deficits.

I should like to help the airline industry, the railroads, the bargelines, and the buslines, but we cannot hope to help them if by doing so we are endangering the security of our Nation from a fiscal standpoint.

I do not mind saying to my colleagues that, so far as I am concerned, the fiscal situation of the country is far worse than is generally understood. The amendment which was adopted will mean a loss of $250 million in revenue.

If this year Congress repeals this excise tax, next year Congress will be asked to repeal the telephone excise tax and all the other excise taxes which were imposed for the purpose of sustaining our country in war.

With one additional word I shall be through. We are not in a state of peace; we are in a state of war. When there exists a budget of $40 billion for military defense, no one can convince me we are living under the conditions and in the atmosphere that prevail in peacetime.

I ask my colleagues to support me in my motion to reconsider the action which was taken this morning, and I ask for a yea-and-nay vote on my motion.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Ohio [Mr. LAUSCHE] to reconsider the vote whereby the committee amendment on page 4, line 9, was agreed to.

On this question the Senator from Ohio asks for the yeas and nays. Is the demand sufficiently seconded?

The yeas and nays were ordered.

Mr. SMATHERS. Mr. President, after I have talked for 5 minutes I am going to move to table the motion of the Senator from Ohio so we can get a vote. Every Senator knows what the issue is. If my motion to table is not supported, it will be clear that the Senate is of a disposition to leave the amendment in the bill.

I think Senators realize that I am not one who takes much of their time. I do not intend to do so tonight, but I do not think we should complicate our procedure any more than it is necessary.

Mr. WILLIAMS of Delaware. I hope the Senator will withhold his motion. I would like to have 5 minutes in support of the motion of the Senator from Ohio.

Will the Senator from Ohio yield me 5 minutes on his motion?

Mr. LAUSCHE. I yield 5 minutes to the Senator from Delaware.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 5 minutes.

Mr. WILLIAMS of Delaware. I am going to support the motion of the Senator from Ohio. I do not think the amendment should have been incorporated in the committee bill when it was reported. I opposed it in committee. This bill now proposes a $250 tax reduction. The only manner in which we can finance this Government is on borrowed money. I think the time has come when we have got to face up to the issue that we cannot have tax reductions until we have a balanced budget.

I am one Member of the Senate who does not see very much chance of balancing the budget even next year, in view of the action which has been taken. Certainly the very least we can do is strike out section 4.

If we provide this $250 million tax reduction, certainly many other tax reductions should be considered at the same time. Again we get back to the point that inflation is a threat to this country, and that inflation is directly the result of deficit spending by the United States Government.

I think those who travel can afford to pay the bill more than can many other segments of our population.

I shall support the motion, and if it is carried, I shall support the motion to strike that section from the bill.

Mr. DIRKSEN. Mr. President, will the Senator yield? And, Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. LAUSCHE. The Senator from Ohio has the floor. I yield to the Senator from Illinois.

Mr. DIRKSEN. I should like to ask the Senator from Delaware whether the transportation item was thoroughly considered in the Finance Committee—or, let me ask, was it considered?

Mr. WILLIAMS of Delaware. I was not at the hearings every day. I do not think the item was brought up as an amendment, or that any testimony about it was taken in the hearing.

Mr. DIRKSEN. Was there a formal vote?

Mr. WILLIAMS of Delaware. There was. If I recall correctly, the amendment carried by a margin of one.

Mr. BYRD of Virginia. The vote was 9 to 8.

Mr. WILLIAMS of Delaware. It was 9 to 8, the Senator from Virginia says.

Mr. DIRKSEN. This item was written in the tax bill by a vote of 9 to 8?

Mr. WILLIAMS of Delaware. That is correct. At the time it was adopted by the committee many of us said we did not think we could afford to allow the $250 million tax reduction at this time.

Mr. DIRKSEN. From what source does the estimate of the $250 million loss come? Is that a Treasury Department estimate?

Mr. WILLIAMS of Delaware. It is a Treasury Department or staff estimate, yes.

Mr. DIRKSEN. I thank the Senator.

Mr. SMATHERS. Mr. President——

The PRESIDING OFFICER. The 5 minutes yielded to the Senator have expired. The Senator from Ohio has the floor.

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

Mr. LAUSCHE. I yield 1 minute to the Senator from Michigan.

Mr. HART. Mr. President, notwithstanding the fact that it would contribute further to our revenue problem, I am compelled to indicate that if the motion of the Senator from Ohio to reconsider the elimination of the passenger excise tax does not prevail I would be compelled—and I am sure this reflects the feelings of other Senators in peculiarly affected States—to move that we eliminate the automobile excise tax as we further consider the bill. For this reason, I shall support the Senator from Ohio.

Mr. YARBOROUGH. Mr. President, will the Senator yield me 1 minute?

Mr. LAUSCHE. I yield 1 minute to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized for 1 minute.

Mr. YARBOROUGH. Mr. President, this tax, it seems to me, is as much a luxury tax as the tax on automobiles and many other taxes. I had about 20 round trip tickets from Washington to my home State of Texas last year. My tax was over $400 on those tickets. All of my transportation taxes totaled between $500 and $1,000 for the year.

My ox is gored by this tax, but I think we ought to keep it. I do not see how the Senate in good conscience can eliminate the tax, when we have a deficit of more than $10 billion in a year. We have some very necessary Government expenditures. We have some new programs which I think should be started. We have increased the budget estimates for the Department of Health, Education, and Welfare.

The PRESIDING OFFICER. The time of the Senator from Texas has expired.

Mr. YARBOROUGH. Mr. President, will the Senator yield me 1 additional minute?

Mr. LAUSCHE. I yield.

Mr. YARBOROUGH. We added about $300 million to take care of cancer research, arthritis research, heart disease research, and some of the most necessary programs we have ever voted

upon in this body. To me it is utter fiscal irresponsibility to lift these $250 million of taxes, which are not directly on the poor people, as many taxes are.

We have an income tax limitation, so if a man's net income is over $600 a year he must pay taxes. This means that people with incomes of $75 a month or less must pay taxes.

The lifting of the transportation tax would remove from the taxpaying brackets many types of expenditures people are well able to pay. This is one tax we should keep until we can balance the budget or find other sources of tax income.

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

Mr. LAUSCHE. I yield.

Mr. SALTONSTALL. I have been at the desk to check on the motion. I understand the Senator's motion to reconsider applies only to section 4 of the bill. Does the Senator mean to apply the motion only to transportation, or does he mean to apply it also to communication, which is section 5?

Mr. LAUSCHE. To sections 4 and 5.

Mr. SALTONSTALL. Then I hope the Senator will amend his motion to reconsider so that it will include both sections. That would make it much more clear as to how to vote.

Mr. LAUSCHE. The motion applies to section 4 at this time because the argument which I made with respect to the loss of revenue I am not certain covers section 5. At this moment I am attempting to deal only with section 4.

Mr. SMATHERS. Mr. President——

Mr. MAGNUSON. Mr. President, will the Senator yield me 2 minutes?

The PRESIDING OFFICER. Does the Senator from Ohio yield?

Mr. LAUSCHE. Mr. President, I will retain the remainder of my time. I yield the floor.

The PRESIDING OFFICER. Does the Senator from Texas yield; and, if so, to whom?

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Florida whatever time he may desire.

Mr. SMATHERS. Mr. President, I have the floor, so I yield to the Senator from Washington such time as he may desire.

Mr. MAGNUSON. Mr. President, I should like to have the attention of the Senator from Ohio and of the Senator from Delaware.

I think everything which has been said by the Senator from Ohio and by my good friend the Senator from Texas is correct. The committee amendment will cost the Treasury Department a certain amount of income, somewhere around the figure given by the Senator from Ohio.

My friend the Senator from Michigan [Mr. HART] says that he would feel obliged to offer an amendment to take the excise tax off automobiles if the tax on transportation is not retained. This is an entirely different type of tax, I will say to the Senator. If I buy an automobile in Seattle, I pay the same tax as if I buy the automobile in Detroit. I pay according to the price.

The transportation tax is a tax which is unfair. It is just as unfair as the freight tax was. The farther a person travels the more he has to pay. If somebody in my State has business in the city of Washington, D.C., he has to pay 10 times the amount of a tax a person traveling from Delaware would have to pay. This is unfair.

If I pay an excise tax on all the other items in the bill, I have to pay the same tax, no matter where I buy the items. However, this particular tax is unfair to the people who have to travel long distances. It is unfair to commuters, to the people who have to work and travel every day back and forth.

That is the difference between this tax and the other taxes. The Senator from Florida and I never would have suggested that this be done if it had not been clearly shown to us how unfair the freight tax and the passenger tax were. That is the only difference. This is a tax which was put on during the war.

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

Mr. MAGNUSON. This was a tax put on during the war. I suppose there was some need for it at that time. Now we are almost 15 years beyond the war. This is an inequitable tax.

If everyone who bought a ticket on an airplane, a railroad, or a bus, paid $1, $2 or $10, no matter where his business took him, then I would say it would be all right, but a person has to pay according to the distance he travels.

Mr. HART. Everyone who buys a Ford has to pay the same amount of tax, but if a person buys a Cadillac he pays a different amount of tax. What does that prove?

Mr. MAGNUSON. Of course, we are talking about people who must travel.

Mr. HART. Every form of traveling should be treated the same.

Mr. MAGNUSON. The people of this country have business, which frequently causes them to travel great distances. The same principle applies to businessmen who have to travel short distances.

No one is suggesting that we should repeal a tax which is equal for everyone. That is the difference.

I remind the Senate that we had this problem under consideration about a year ago. I think at that time the Senate voted 50 to 35 to repeal the tax, and the freight tax, but I believe the conferees threw this particular item out and agreed to removing the freight tax. Naturally the attempt is being made again to remove this tax. That is the only reason we have suggested it.

We do not suggest this for the other excise taxes, because I think they are in a different category.

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

Mr. MAGNUSON. I yield.

Mr. MANSFIELD. I should like to point out to the Senator from Washington that the people from his State of Washington and from my State of Montana and from every other State along the Canadian and Mexican borders many times go over into Canada or Mexico to buy transportation tickets, thereby not having to pay the 10 percent transportation tax; is that correct?

Mr. MAGNUSON. Yes. We have travel agencies in my area which have branch offices in Vancouver, so that tickets can be bought there.

Mr. MANSFIELD. That is correct.

Mr. MAGNUSON. I suppose that occurs in the State of Montana and in other places.

Mr. MANSFIELD. And this temporary tax has been in effect for some 17 years?

Mr. MAGNUSON. Seventeen years.

Mr. MANSFIELD. The abolition of the tax was voted by a majority of this body last year, was it not?

Mr. MAGNUSON. Yes.

Mr. MANSFIELD. The abolition of the tax was approved by a majority vote only this week in the Senate Committee on Finance?

Mr. MAGNUSON. Yes.

Mr. MANSFIELD. And it was approved unanimously earlier today by the Senate?

Mr. MAGNUSON. That is correct.

Mr. MANSFIELD. This is a sales tax.

Mr. SMATHERS. Mr. President, I yield myself such time as I may desire.

First, I should like to pick up where the able Senator from Montana left off. There could be an inference that the Senate does not know what it is voting on, but that of course is absurd. Last year we had full hearings with regard to the matter of excise taxes on travel and on freight. The matter was well debated in the committee, and it was well debated in the Senate. The Senate went on record by a vote, I believe, of 50 to 35 stating that this was an unfair tax which was stopping travel and hurting transportation, and that it should be repealed.

We are now considering the same thing. The Senate conferees had to recede in conference last year, with the result that we have had to bring up the matter again this year.

So if any one of us feel we do not know what we are voting on, he will not be looking at the RECORD and will not know all the facts involved.

The estimated revenue loss does not involve $250 million. The estimate is that it will involve approximately $225 million. It is a questionable revenue-producing measure inasmuch as the tax and expense of collecting it are tax deductible, thereby reducing profits that otherwise would be taxable.

Mr. President, I should like to answer the Senator from Ohio. The Senator said we are in war. I do not doubt that for a minute, for we are in a cold war. However, Mr. President, if we ever become involved in a hot war the one thing we will need above anything else is a sound national transportation system. We cannot fight a war effectively without such a system. If we do not have railroads, if we do not have airlines, and if we do not have means of communications we will be strapped and helpless. We might have $100 billion in the bank, but it would not do us any good if we could not move the men and the equipment essential in time of emergency.

Mr. LAUSCHE rose.

Mr. SMATHERS. I will yield to the Senator in a moment.

Mr. LAUSCHE. I thought the Senator desired to ask me a question.

Mr. SMATHERS. I will yield in a moment.

If we could not move our equipment in a hot war it would not make any difference what the budget showed. Under such circumstances, a balanced budget at the expense of a healthy national transportation system is a risk we can ill afford to take. And let me point out that a sound national transportation system promotes a sound economy vitally essential to our success in the present cold war. Make no mistake about that. This tax was originally imposed for the sole purpose of discouraging people from traveling, because we were in a war. The Government wanted to save all the space possible, so that members of the armed services could use it. That tax has remained in effect until today, and even in peacetime it discourages people from traveling. It now serves as an economic obstacle to a transportation industry which must develop and grow if we are to have strength in time of an emergency and prosperity in time of peace.

If we are interested in seeing this country develop itself, in order to meet the possible threat of war, we had better make certain that we have an adequate transportation system.

The distinguished senior Senator from Ohio knows, having sat on the Commerce Committee, that the transportation system of the country is not in good shape. He has heard representatives of the Defense Department testify on several occasions that the railroads are deteriorating and that our bus lines are disappearing. There are 5-percent fewer bus lines today than there were 10 years ago.

The aviation industry is so deeply in debt that there is grave doubt whether it will be able to meet its future commitments. It has become so greatly indebted in the purchase of turboprops and jets that it is in serious financial difficulty.

What happens? The industry may find it necessary to come to Congress and ask for a subsidy. The Congress will grant that subsidy. Why? Because we must have an adequate transportation system.

Removal of this tax would be infinitely better than a subsidy and would give the transportation industry an honest opportunity to try to stay alive without subsidies.

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

Mr. SMATHERS. One further point, and then I shall be glad to yield for a few questions.

The Senator from Texas said that this was a sort of luxury tax. I do not know that the people who ride the buses from El Paso to Austin think they are on any luxury trip. They pay a 10-percent tax, just as anyone else does. A rich man can charge off a part of the tax, but the poor man cannot deduct it. The poor man carries a greater burden under this discriminatory tax than anyone else.

We talk about discrimination. This tax is a discriminatory tax against the people who do not have a business, and do not know how to take advantage of deductions.

This is a discriminatory tax against the small man, the man who rides the bus. It is a discriminatory tax against our own transportation system, as the able Senator from Montana has pointed out. People no longer buy domestic tickets when they go from the Southwest or from Los Angeles, to Europe. They buy a foreign ticket all the way across, thus favoring a foreign carrier to the detriment of our own domestic carriers. Why? So that they can save themselves from paying the 10-percent tax for a part of the trip over the United States. That is why the Senate voted last year to remove the tax. That is why a majority of the Senate Committee on Finance voted yesterday to remove it. That is why the Senate voted earlier to remove it.

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

Mr. SMATHERS. I yield.

Mr. MANSFIELD. Can the Senator tell this body what is happening to the number of trains making transcontinental runs? Is the number decreasing or increasing?

Mr. SMATHERS. The number has decreased as much as 60 percent. One can hardly find a transcontinental train running every day of the week.

Mr. MANSFIELD. In my part of the country, for example, the Milwaukee Railroad runs only one train a day east and west, whereas it formerly ran two or three, not so many years ago. I have traveled on those trains. There is plenty of vacant space.

I believe that one of the reasons why the railroads are going down is that they are not getting the passenger business which they need. The transportation tax does not help them in any way.

I hope the Senator's amendment, as originally approved by this body last year, by the Senate Committee on Finance earlier this week, and by the Senate earlier today, will be adhered to, because I think it is a good amendment, and vitally needed at this time.

Mr. SMATHERS. Mr. President, I am prepared to yield back the remainder of my time if the Senator from Ohio is prepared to do likewise.

Mr. LAUSCHE. Mr. President, I should like to make some reply to what has been said.

In my opinion the argument made by the Senator from Washington and the Senator from Florida is applicable to every type of tax we are required to pay. All we have to do is to substitute a different name for the transportation tax, and we can apply the same arguments which have been made.

A luxury tax was imposed to dissuade people from buying luxuries, and to make possible the full use of our manufacturing facilities in the production of war materials. Communications taxes were imposed to dissuade people from using the communications system. The income tax is an unjust tax, which should be repudiated. My query is this: How does it happen that all the other taxes are to remain, and it is proposed to bestow a beneficence upon the transportation system? The same argument applies to every kind of tax. There is no tax that is just in the minds of all persons.

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

Mr. LAUSCHE. I yield.

Mr. BUSH. I support the Senator's motion.

While it is true that the railroads have suffered a decline in transportation of persons and revenue from that source, passenger service has never been a source of profit to the railroads. Fifty years ago my father worked for a railroad, and he used to say, "There is no money in the passenger business." It has never been a profitable business.

I ask the Senator if this tax does not apply also to the airlines and the motor coach lines, whose business has been growing year by year, and is greater this year than last year.

Mr. LAUSCHE. It applies to all passenger transportation.

Mr. BUSH. The trouble with the railroads is not this tax. The trouble is much deeper and broader. I think that is a separate problem, and ought not to be involved in this debate.

I hope the Senator's motion will prevail.

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

Mr. LAUSCHE. I yield.

Mr. ERVIN. Almost all the taxes I know anything about are unfair. I think it is unfair to charge a corporation 52 percent of its net income for taxes. I think it is unfair to take 20 cents out of every dollar a person makes over $600 a year. Virtually all our taxes are unfair; but we have reached the tragic state where we have to levy taxes for the purpose of obtaining revenue, and not for the purpose of being equitable.

I cannot, consistently with my views, vote to grant a tax reduction of $200 million, $225 million, or $250 million to one group of persons, while leaving a 52 percent income tax on corporations, or a high income tax on individuals. So I think we must vote from the standpoint of keeping our country solvent, and not from the standpoint of doing equity.

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

Mr. LAUSCHE. I yield.

Mr. YARBOROUGH. I should like to ask the distinguished Senator from Ohio, who is an able member of the Committee on Interstate and Foreign Commerce, and who heard the evidence last year about the transportation problem, if it is not a fact that the tax on transportation of goods was removed because many corporations were buying their own fleets of trucks, for the reason that the 3 percent transportation tax on goods made it profitable for them to buy their own trucks, enabling them to ship their goods cheaper than they could ship them by common carrier. The margin of difference was less than 3 percent, and the repeal of the transportation tax on goods was to discourage companies from buying private fleets, which were ruining the common carriers by freight and motor carrier. There is a difference between the tax on goods and the tax on transportation of persons. The tax on the transportation of goods was removed for

the reasons which I have stated. Those facts do not apply to the transportation of persons. Is not that true?

Mr. LAUSCHE. The statement of the Senator from Texas is accurate. A reading of my dissenting opinion of last year will show that I subscribed to the removal of the excise tax on cargo transportation because of the reasons enumerated by the Senator from Texas, and opposed the removal of the passenger excise tax.

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

Mr. LAUSCHE. I yield.

Mr. HART. Suggestive of the fact that these arguments can be made with respect to all excise taxes, let me relate the points made by the Senator from Florida to the automobile industry.

To meet the point that we applied the excise tax on passenger travel to discourage it during the war, I can only observe that is precisely the same reason we imposed the excise tax on automobiles. This deters travel. Ask any automobile manufacturer if he thinks the excise tax on automobiles does not discourage the purchase of automobiles. It is not a luxury to travel from El Paso to Johnson City. By and large, people do not regard the transportation they buy in the form of automobiles as a luxury. It is a necessity. The passenger carrier and the automobile manufacturer are obviously in competition.

Lastly, we are told that people are buying transportation tickets outside the country, and using foreign lines. What about the importation of European cars, and the impact of this fact on our economy? These are the arguments which I will press in support of the amendment I will offer with Senator MCNAMARA, to remove the automobile excise tax if we do not stand up and retain the passenger tax.

Mr. LAUSCHE. Mr. President, I yield back the remainder of my time.

Mr. SMATHERS. Mr. President, I yield back the remainder of my time.

I move that the motion of the Senator from Ohio [Mr. LAUSCHE] be laid on the table.

Mr. LAUSCHE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LAUSCHE. Does the yea-and-nay vote which was ordered on my motion apply to the motion made by the Senator from Florida?

The PRESIDING OFFICER. It does not.

Mr. LAUSCHE. Then I ask for the yeas and nays on the motion of the Senator from Florida.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida [Mr. SMATHERS] to lay on the table the motion of the Senator from Ohio [Mr. LAUSCHE] to reconsider the committee amendment on page 4, line 9, which was agreed to earlier in the day.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. As I understand, the Senate will now vote on the motion to table the motion of the Senator from Ohio [Mr. LAUSCHE] to reconsider and thus make it possible for the Senate to reconsider the transportation tax item in the bill.

The PRESIDING OFFICER. The Senator from Illinois is correct.

Mr. BUSH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Connecticut will state it.

Mr. BUSH. Is a vote "nay" a vote in support of the position taken by the Senator from Ohio?

The PRESIDING OFFICER. That is correct. The clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. MCGEE], the Senator from Montana [Mr. MURRAY], and the Senator from Arizona [Mr. HAYDEN] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

I further announce that if present and voting the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Alaska [Mr. GRUENING], the Senator from Florida [Mr. HOLLAND], the Senator from Wyoming [Mr. MCGEE], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART] and the Senator from Kansas [Mr. CARLSON] are absent on official business as Members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

If present and voting, the Senator from Indiana [Mr. CAPEHART] and the Senator from Vermont [Mr. PROUTY] would each vote "yea."

The result was announced—yeas 52, nays 26, as follows:

YEAS—52

Allott	Hennings	Monroney
Anderson	Hill	Moss
Bartlett	Hruska	Mundt
Beall	Jackson	Neuberger
Bible	Javits	Pastore
Butler	Johnson, Tex.	Proxmire
Byrd, W. Va.	Johnston, S.C.	Randolph
Cannon	Jordan	Schoeppel
Carroll	Keating	Smathers
Dodd	Kefauver	Smith
Eastland	Kennedy	Sparkman
Ellender	Kerr	Symington
Engle	Langer	Talmadge
Frear	Long	Thurmond
Fulbright	McCarthy	Williams, N.J.
Goldwater	Magnuson	Young, N. Dak.
Gore	Mansfield	
Hartke	Martin	

NAYS—26

Bennett	Dirksen	Robertson
Bridges	Douglas	Russell
Bush	Ervin	Saltonstall
Byrd, Va.	Hart	Scott
Case, N.J.	Hickenlooper	Stennis
Clark	Kuchel	Williams, Del.
Cooper	Lausche	Yarborough
Cotton	McClellan	Young, Ohio
Curtis	Morton	

NOT VOTING—20

Aiken	Green	Morse
Capehart	Gruening	Murray
Carlson	Hayden	Muskie
Case, S. Dak.	Holland	O'Mahoney
Chavez	Humphrey	Prouty
Church	McGee	Wiley
Dworshak	McNamara	

So Mr. SMATHERS' motion to lay on the table Mr. LAUSCHE's motion to reconsider was agreed to.

Mr. KERR. Mr. President, I move that the Senate now reconsider the vote by which the committee amendment in the form of section 5 was agreed to this morning.

Mr. GORE. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Tennessee to lay on the table the motion to reconsider.

Mr. SALTONSTALL. Mr. President, what is the pending question?

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Tennessee [Mr. GORE] to lay on the table the motion of the Senator from Oklahoma [Mr. KERR] to reconsider the vote by which the second committee amendment was agreed to [Putting the question.]

The motion to lay on the table was agreed to.

Mr. PROXMIRE. Mr. President, I offer the amendment which I send to the desk, and ask to have stated by title only.

The PRESIDING OFFICER. The amendment will be stated by title only.

The LEGISLATIVE CLERK. At the end of the bill, it is proposed to add a new section entitled "Section 6. Collection of Income Tax at Source on Interest and Dividends."

The PRESIDING OFFICER. Without objection, the amendment will be printed in its entirety at this point in the RECORD.

The amendment submitted by Mr. PROXMIRE is as follows:

At the end of the bill insert the following:

"SEC. 6. COLLECTION OF INCOME TAX AT SOURCE ON INTEREST AND DIVIDENDS.

"(a) (1) IN GENERAL.—Subtitle F of the Internal Revenue Code of 1954 (relating to

procedure and administration) is amended by adding at the end thereof the following new chapter:

"CHAPTER 81—COLLECTION OF INCOME TAX AT SOURCE ON INTEREST AND DIVIDENDS

"'SEC. 7901. INCOME TAX COLLECTED AT SOURCE ON INTEREST.

"'(a) REQUIREMENT OF WITHHOLDING.—Every corporation, making payment after December 31, 1959, of interest on obligations of such corporation, shall deduct and withhold on such interest a tax equal to 18 percent of the amount thereof. If the withholding agent is unable to determine the person to whom the interest is payable, such tax shall be deducted and withheld at the time payment thereof would be made if such person were known.

"'(b) INTEREST DEFINED.—For purposes of this chapter, the term 'interest' means interest on all bonds, debentures, notes, certificates, or other evidences of indebtedness, issued by any corporation with interest coupons or in registered form.

"'(c) INDEMNIFICATION OF WITHHOLDING AGENT.—A withholding agent shall not be liable, except as provided in section 7904, to any person for the amount of any tax required to be deducted and withheld under this chapter.

"'(d) CREDIT FOR TAX WITHHELD.—

"'For credit, against the income tax of the recipient of the income, of amounts required to be deducted and withheld under this section, see section 39.

"'SEC. 7902. INCOME TAX COLLECTED AT SOURCE ON DIVIDENDS.

"'(a) REQUIREMENT OF WITHHOLDING.—Every person making payment after December 31, 1959, of a dividend shall deduct and withhold on such such dividend a tax equal to 18 percent of the amount thereof. If the withholding agent is unable to determine the person to whom the dividend is payable, such tax shall be deducted and withheld at the time payment thereof would be made if such person were known.

"'(b) DIVIDENDS DEFINED.—For purposes of this chapter, the term "dividend" means—

"'(1) any distribution by a corporation which is a dividend (as defined in section 316); and

"'(2) a payment made by a stockbroker to any person as a substitute for a dividend (as defined in section 316) on which a tax is required to be deducted and withheld under this chapter.

"'(c) WITHHOLDING WHERE AMOUNT OF DIVIDEND IS UNKNOWN.—If the withholding agent is unable to determine the portion of a distribution which is a dividend, the tax required to be deducted and withheld under this chapter shall be computed on the entire amount of the distribution.

"'(d) INDEMNIFICATION OF WITHHOLDING AGENT.—A withholding agent shall not be liable, except as provided in section 7904, to any person for the amount of any tax required to be deducted and withheld under this chapter.

"'(e) CREDIT FOR TAX WITHHELD.—

"'For credit, against the income tax of the recipient of the income, of amounts required to be deducted and withheld under this section, see section 39.

"'SEC. 7903. EXEMPTIONS FROM WITHHOLDING.

"'(a) INTEREST.—The provisions of section 7901 shall not apply to:

"'(1) Interest paid by a corporation to one or more—

"'(A) governments,

"'(B) Political subdivisions thereof,

"'(C) international organizations, or

"'(D) wholly owned instrumentalities or agencies of the foregoing, if the evidence of indebtedness in respect of which such interest is paid is owned by one or more of such governments, subdivisions, organizations, instrumentalities, or agencies.

"'(1) Interest paid for a foreign corporation.

"'(3) Any payment of interest to—

"'(A) a foreign corporation not engaged in trade or business within the United States,

"'(B) a nonresident alien individual,

"'(C) any partnership not engaged in trade or business within the United States and composed in whole or in part of nonresident aliens, or

"'(D) any foreign government of international organization.

"'(b) DIVIDENDS.—The provisions of section 7902 shall not apply to:

"'(1) A dividend paid in the stock or rights to acquire the stock of the distributing corporation whether or not the recipient of such stock or rights had an option to be paid in money, or other property, in lieu of such stock or rights.

"'(2) Distributions (other than capital gain dividends described in section 852(b)(3)(C)) to shareholders which are treated under chapter 1 as amounts received on the sale or exchange of property, or distributions with respect to which gain or loss is not recognized under chapter 1 to the shareholders.

"'(3) Any amount which is includible in gross income as a taxable dividend under the provisions of section 302 or 303 (relating to redemptions of stock), section 354(b) (relating to receipt of property on transfer to corporation controlled by the transferor), section 356 (relating to receipt of additional consideration in connection with certain reorganizations), or section 1081(e)(2) (relating to certain distributions pursuant to order of the Securities and Exchange Commission).

"'(4) A dividend paid by a Federal reserve bank, Federal land bank, Federal home loan bank, Central Bank for Cooperatives, or Bank for Cooperatives.

"'(5) Dividends paid by a corporation to another corporation if both corporations are members of the same affiliated group which filed a consolidated return under chapter 6 for the preceding taxable year of the payor corporation.

"'(6) Dividends paid by a corporation to one or more—

"'(A) governments,

"'(B) political subdivisions thereof,

"'(C) international organizations, or

"'(D) wholly owned instrumentalities or agencies of the foregoing,

if the entire class of stock in respect of which such dividend is paid is owned by one or more of such governments, subdivisions, organizations, instrumentalities, or agencies.

"'(7) Dividends paid by a foreign corporation.

"'(8) Any payment of a dividend to—

"'(A) a foreign corporation not engaged in trade or business within the United States,

"'(B) a nonresident alien individual,

"'(C) any partnership not engaged in trade or business within the United States and composed in whole or in part of nonresident aliens, or

"'(D) any foreign government or international organization.

"'(9) Dividends paid pursuant to the terms of a lease of property entered into before January 1, 1959, if under such lease the shareholders of the lessor corporation are entitled to such dividends without deduction for and tax which any law of the United States might require to be deducted and withheld on the payment of dividends.

"'(10) Amounts (whether or not designated as dividends) paid by a mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, or any similar organization, in respect of withdrawable or repurchasable shares, investment certificates, or deposits.

"'SEC. 7904. RETURNS AND PAYMENT.

"'(a) GENERAL RULE.—Every person required under this chapter to deduct and withhold any tax shall make a return of such tax and shall pay such tax, at such time, for such period, and in such manner as the Secretary or his delegate may by regulations prescribe, by making a return of the total amount of interest and dividends with respect to which tax is required to be deducted and withheld by such person under this chapter for such period and paying a tax, for which such person shall be liable, in an amount equal to 20 percent of such total.

"'(b) ADJUSTMENT OF TAX.—If more or less than the correct amount of tax due for any period under subsection (a) is paid with respect to such period, proper adjustments with respect to the tax shall be made, without interest, in such manner and at such times as may be prescribed by regulations made under this chapter.

"'SEC. 7905. NONDEDUCTIBILITY OF TAX IN COMPUTING TAXABLE INCOME.

"'Any tax deducted and withheld under this chapter shall not be allowed as a deduction in computing taxable income for the purpose of any tax on income imposed by Act of Congress.

"'SEC. 7906. REFUND OR CREDIT OF TAX TO TAX-EXEMPT ORGANIZATIONS; REFUND OF TAX TO INDIVIDUALS HAVING NO TAXABLE INCOME.

"'(a) TAX-EXEMPT ORGANIZATIONS.—In the case of a person which is exempt from the tax imposed by chapter 1, if the amount required to be deducted and withheld as tax under this chapter with respect to interest and dividends received by it during any calendar quarter exceeds the credit claimed by and allowed to such person under section 3505 (relating to credit against employment taxes) for such quarter, the excess shall be immediately refunded or credited to such person as an overpayment of the tax imposed by this chapter, but only if claim therefor is filed (or, if no claim is filed, if credit or refund is made) after the close of such calendar quarter and on or before March 15 of the fourth calendar year beginning after the close of such calendar quarter. No interest shall be allowed or paid with respect to any such refund or credit for any period before the date on which claim for such refund or credit is filed or before March 16 of the calendar year succeeding the close of the calendar quarter in respect of which such refund or credit is claimed, whichever date is the later.

"'(b) INDIVIDUALS HAVING NO TAXABLE INCOME.—In the case of an individual who certifies (in such form and manner as the Secretary or his delegate prescribes by regulations) with respect to interest and dividends received by him during any calendar quarter that he reasonably believes (at the time of such certification) that he will have no taxable income for his taxable year of which such calendar quarter is a part, the amount required to be deducted and withheld as tax under this chapter with respect to interest and dividends received by him during such calendar quarter shall be immediately refunded to him as an overpayment of the tax imposed by this chapter,

but only if claim therefor is filed (or, if no claim is filed, if refund is made) after the close of such calendar quarter and on or before April 15 of the fourth calendar year beginning after the close of such calendar quarter. No interest shall be allowed or paid with respect to any such refund for any period before the date on which claim for such refund is filed or before April 16 of the calendar year succeeding the close of the calendar quarter in respect of which such refund is claimed, whichever date is the later.

"'SEC. 7907. CREDIT FOR REGULATED INVESTMENT COMPANIES AND PERSONAL HOLDING COMPANIES.

"'In the case of any withholding agent which is a regulated investment company (as defined in section 851) or a personal holding company (as defined in section 542), the amount required to be deducted and withheld as tax under this chapter with respect to interest and dividends received by it during a taxable year shall be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) the tax for which such withholding agent is liable under section 7904(a) in respect of dividends paid by it during such year. For purposes of this section, a dividend shall be considered as having been paid within a taxable year—

"'(1) in the case of a regulated investment company, if treated as paid during such taxable year under section 855(a), or

"'(2) in the case of a personal holding company, to the extent elected under section 563(b), in determining the dividends paid deduction for purposes of the personal holding company tax, in the return for such year.

"'SEC. 7908. FAILURE TO FILE RETURNS.

"'In case of a failure to make and file any return required under this chapter within the time prescribed by law or prescribed by the Secretary or his delegate in pursuance of law, unless it is shown that such failure is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be shown on such return shall not be less than $5.

"'SEC. 7909. DEFINITIONS.

"'For purposes of this chapter—

"'(1) TAXABLE YEAR.—The term "taxable year" has the same meaning as when used in chapter 1.

"'(2) PERSON.—The term "person" includes any government or political subdivision, or agency or instrumentality thereof.

"'(3) NONRESIDENT ALIEN.—The term "nonresident alien individual" includes an alien resident of Puerto Rico.'

"(2) The table of chapters for subtitle F is amended by adding at the end thereof

"'Chapter 81. Collection of income tax at source on interest and dividends.'

"(b)(1) CREDITS AGAINST INCOME TAX.—Part IV of subsection A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by adding at the end thereof the following new section:

"'SEC. 39. CREDIT FOR TAX WITHHELD ON INTEREST AND DIVIDENDS.

"'(a) GENERAL RULE.—The amount required to be deducted and withheld under section 7901 as tax on interest or under section 7902 as tax on dividends shall be allowed to the recipient of the income as a credit against the tax imposed by this subtitle for the taxable year in which the interest or dividend is received.

"'(b) PARTNERSHIPS, TRUSTS, AND ESTATES.—If the recipient of the interest or dividend is a partnership or a common trust fund, then the credit provided by subsection (a) shall not be allowed to such recipient, but the members of the partnership, or the participants in the common trust fund, as the case may be, shall be allowed their proportionate share of such credit. If the recipient is an estate or trust, and if any legatee, heir, or beneficiary subject to the tax imposed by this chapter is required to include a portion of such interest or dividend in computing his taxable income, such legatee, heir, or beneficiary shall be allowed such portion of the credit as is properly allocable to him on the basis of the income allocable to him under subchapter J (sec. 641 and following, relating to estates, trusts, beneficiaries, and decedents) for the taxable year of the estate or trust, and such portion of the credit shall not be allowed to the estate or trust.

"'(c) REGULATED INVESTMENT COMPANIES AND PERSONAL HOLDING COMPANIES.—In the case of a regulated investment company or a personal holding company, the credit provided by subsection (a) shall be reduced by the amount of credit allowed such company under section 7907.

"'(d) TAX-EXEMPT ORGANIZATIONS, ETC.—

"'(1) IN GENERAL.—The credit provided by subsection (a) shall not be allowed—

"'(A) to any recipient which is exempt from income tax; or

"'(B) to an individual, with respect to interest and dividends received during any calendar quarter for which he has made a certification under section 7906 (b).

"'(2) CROSS REFERENCE.—

"'For refund under chapter 81 in the case of a recipient which is exempt from tax and in the case of an individual who has no taxable income, see section 7906.'

"(2) AMENDMENTS TO TABLE OF SECTIONS.—The table of sections for such part IV is amended by adding at the end thereof the following:

"'Sec. 39. Credit for tax withheld on dividends.'

"(c) (1) SPECIAL CREDIT FOR TAX-EXEMPT ORGANIZATION.—Chapter 25 of such Code (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

"'SEC. 3505. SPECIAL CREDIT IN CASE OF ORGANIZATIONS EXEMPT FROM INCOME TAX.

"'(a) GENERAL RULE.—In the case of any person (including any government or political subdivision, agency, or instrumentality thereof) which is exempt from the tax imposed by chapter 1, the amount required to be deducted and withheld as tax under chapter 81 with respect to interest and dividends received by it during any calendar quarter shall be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) the amount shown on the return of such person as its liability (after the adjustments, if any, provided for in sections 6205(a) and 6413(a)) for such quarter in respect of the taxes imposed by chapter 21 (Federal Insurance Contributions Act) and by chapter 24 (collection of income tax at source on wages). Such credit shall be allowed only if claim therefor is made, in accordance with such regulations, at the time of the filing of the return with respect to the taxes under chapter 21 and chapter 24 for such quarter.

"'(b) CROSS REFERENCE.—

"'For refund under chapter 81, see section 7906.'

"(2) AMENDMENT TO TABLE OF SECTIONS.—The table of sections for chapter 25 is amended by adding at the end thereof the following:

"'Sec. 3505. Special credit in case of organization exempt from tax.'

"(d) TECHNICAL AMENDMENTS.—

"TAX COMPUTED BY SECRETARY OR HIS DELEGATE.—Section 6014 of such Code (relating to income tax not computed by taxpayer) is amended—

"(A) by striking out in subsection (a) the phrase 'and whose gross income other than wages, as defined in section 3401(a), does not exceed $100,' and by inserting in lieu thereof 'and whose gross income (other than wages, as defined in section 3401(a), and other than interest and dividends on which tax is required to be deducted and withheld under chapter 81) does not exceed $100,'; and

"(B) by inserting after 'other than wages on which the tax has been withheld at the source' the following: 'and other than interest and dividends on which tax is required to be deducted and withheld under chapter 81'.

"(2) DECLARATION OF ESTIMATED INCOME TAX BY INDIVIDUALS.—Section 6015(a) of such code (relating to declaration of estimated income tax by individuals) is amended—

"(A) by amending so much of paragraph (1) thereof as precedes subparagraph (A) to read as follows:

"'(1) the gross income for the taxable year can reasonably be expected to consist of wages (as defined in section 3401(a)), or interest (as defined in section 7901(b)) or dividends (as defined in section 7902(b)) on which tax is required to be deducted and withheld under chapter 81, or both, and of not more than $100 from sources other than such wages, interest, and dividends, and can reasonably be expected to exceed—'; and

"(B) by amending so much of paragraph (2) thereof as precedes subparagraph (A) to read as follows:

"'(2) the gross income can reasonably be expected to include more than $100 from sources other than wages (as defined in section 3401(a)) and other than interest (as defined in section 7901(b)) and dividends (as defined in section 7902(b)) on which a tax is required to be deducted and withheld under chapter 81, and can reasonably be expected to exceed the sum of—'.

"(3) WITHHOLDING OF TAX ON NONRESIDENT ALIEN INDIVIDUALS.—Section 1441(c) of such Code (relating to exceptions to the withholding of tax on nonresident alien individuals) is amended by adding at the end thereof the following new paragraph:

"'(6) INTEREST AND DIVIDENDS ON WHICH TAX IS WITHHELD UNDER CHAPTER 81.—Where any person is required to deduct and withhold a tax under subsection (a) on an amount on which a tax was required to be deducted and withheld under chapter 81, such person shall deduct and withhold under subsection (a) only the excess of—

"'(A) the amount which would be required to be deducted and withheld under subsection (a) but for the application of chapter 81, over

"'(B) the amount required to be deducted and withheld under chapter 81.'

"(4) WITHHOLDING OF TAX OF FOREIGN CORPORATIONS.—Section 1442 of such Code (relating to withholding of tax on foreign corporations) is amended by striking out the period at the end thereof and inserting in lieu thereof a comma and the following: 'and except that where any person is required under this section to deduct and withhold a tax on an amount on which a tax is required to be deducted and withheld under chapter 81, such person shall deduct and withhold only the excess of—

"'(1) the amount which would be required to be deducted and withheld under this section but for the application of chapter 81, over

"'(2) the amount required to be deducted and withheld under chapter 81.'

"(5) INFORMATION BY CORPORATIONS.—Paragraph (1) of section 6042 of such Code (relating to returns regarding corporate dividends, etc.) is amended by adding at the

end thereof the following: 'except that if the amount of dividends paid to any shareholder during a calendar year is less than $300 and tax is required to be deducted and withheld under chapter 81 on the entire amount of such dividends, no such return shall be required with respect to such shareholder for such calendar year;'.

"(6) EXCESSIVE WITHHOLDING.—Subsection (b) of section 6401 of such Code (relating to amounts treated as overpayments) is amended to read as follows:

"'(b) TREATMENT OF CREDITS.—The amount of the credit provided in section 31 (relating to credit for tax withheld on wages under chapter 24), and the amount of the credit provided in section 39 (relating to credit for tax withheld on interest and dividends under chapter 81), against the tax imposed by subtitle A for any taxable year shall, to the extent thereof, be considered as payment of the tax for such year, whether or not the withholding agent has paid to the Secretary or his delegate the amount of the tax deducted and withheld at the source under chapter 24 or the amount of tax required to be deducted and withheld at the source under chapter 81.'

"(7) SPECIAL PERIOD OF LIMITATIONS FOR SMALL REFUNDS ON TAX WITHHELD AT SOURCE.—Section 6511(d) of such Code (relating to special rules for limitations on allowance of credits and refunds) is amended by adding at the end thereof the following new paragraph:

"'(4) SPECIAL RULES RELATING TO TAX ON INTEREST AND DIVIDENDS WITHHELD AT SOURCE.—In the case of an individual filing a claim for credit or refund of an overpayment for a taxable year for which he was not required to make a return under section 6012(a) to make a return, if the overpayment is attributable to the credit allowed under section 39 for tax required to be deducted and withheld under chapter 81 (relating to tax withheld at source on interest and dividends), in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be 7 years from the date prescribed by law for filing a return for the taxable year with respect to which the claim is made. In the case of such a claim, the amount of credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2), to the extent of the amount of the overpayment attributable to such credit allowed under section 39, or to the extent of $2, whichever is the lesser.'

"(8) PRESUMPTIONS AS TO DATE OF PAYMENT.—Section 6513(b) of such Code (relating to time tax considered to be paid) is amended by adding at the end thereof the following new sentence: 'For purposes of section 6511 or 6512, any tax required to be deducted and withheld at source during any taxable year of the recipient under chapter 81 shall, in respect of the recipient of the income, be deemed to have been paid by him on the last day prescribed for filing the return under section 6012 for such taxable year (determined without regard to any extension of time for filing such return).'

"(9) DEFINITION OF WITHHOLDING AGENT.—Section 7701(a)(16) of such Code (defining the term 'withholding agent') is amended by striking out 'or 1461' and inserting in lieu thereof '1461, or 7901.'

"(10) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to taxable years beginning after December 31, 1959."

The PRESIDING OFFICER. Under the unanimous-consent agreement, the Senator from Wisconsin has 45 minutes under his control.

Mr. MANSFIELD. Mr. President, will the Senator from Wisconsin yield to me?

Mr. PROXMIRE. I yield.

Mr. MANSFIELD. I ask unanimous consent that the time on this amendment be limited to a total of 30 minutes, with 15 minutes to each side.

The PRESIDING OFFICER. Is there objection? Without objection——

Mr. GOLDWATER. Mr. President, reserving the right to object, let me ask what amendment this is.

Mr. PROXMIRE. It is the amendment to provide for withholding the tax on interest and dividends.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana [Mr. MANSFIELD]? Without objection, it is so ordered.

Mr. ALLOTT. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield.

Mr. ALLOTT. Is a copy of the amendment available?

Mr. PROXMIRE. The amendment is at the desk.

The PRESIDING OFFICER. Under the agreement just entered, the Senator from Wisconsin has 15 minutes at his disposal.

Mr. PROXMIRE. Mr. President, I yield myself 10 minutes.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized for 10 minutes.

Mr. PROXMIRE. Mr. President, this amendment provides for withholding the tax on interest and dividends, in the same way that the tax now paid on wages and salaries is withheld.

On the basis of what the Senator from Illinois has called "very, very, very conservative estimates," the amendment would save the Federal Treasury $540 million. Actually, in the judgment of the Senator from Illinois and in my judgment, the amendment probably would save for the Federal Treasury a great deal more than $540 million—perhaps as much as $1 billion.

The amendment does not provide for any new tax on anyone. It will not limit in any way the privileges legally available to any taxpayer at the present time. The amendment will not increase by one nickel the tax liability of anyone. All the amendment will do is provide a much more efficient and a much surer method of collecting the income tax on dividends and interest.

Estimates made by economists are consistent in showing that the Federal Treasury is now losing hundreds of millions of dollars through tax avoidance because the taxes on interest and dividends are not paid at the source.

Mr. JOHNSTON of South Carolina. Mr. President, let me inquire whether the amendment provides for any limitation at all.

Mr. PROXMIRE. The amendment provides several limitations, which I shall explain in the course of my remarks.

Mr. JOHNSTON of South Carolina. When the taxpayer is entitled to make a deduction in the case of the first $100 of dividends received by him, would the tax on those dividends be withheld, under the provisions of this amendment?

Mr. PROXMIRE. There would be withholding in all cases; but, under the amendment, the quick refund arrangement which has proven so successful in the case of wages would be employed; and thus a person who was entitled to a refund would be able to obtain it very promptly; and in no case would he have to wait longer than 6 weeks.

Mr. JOHNSTON of South Carolina. What I have in mind is that thousands of taxpayers receive dividend income of less than $600, and it is their only income. Would this amendment require that they make a tax return, and that thereafter the Government make a refund to them?

Mr. PROXMIRE. I have taken that point into account. I recognize that the Senator from South Carolina has raised a very legitimate point. But, under the circumstances, I think this amendment takes recognition of that situation, and meets that problem, and does not impose a handicap on such persons.

Mr. BUTLER. Mr. President, will the Senator from Wisconsin yield to me?

Mr. PROXMIRE. I yield.

Mr. BUTLER. Would the amendment result in the withholding on the dividends paid by cooperatives to their members?

Mr. PROXMIRE. It does not provide for withholding on the interest paid by commercial banks to their depositors; neither does it provide for withholding on the dividends paid by cooperatives or similar institutions.

The amendment provides primarily for withholding on corporation dividends and corporation interest.

Mr. BUTLER. Why does not the Senator's amendment provide for withholding the tax on all interest and all dividends?

Mr. PROXMIRE. Because on the basis of consultations with persons who have studied this matter at length for many years, it is apparent that complications which would develop would make such a provision very difficult to administer.

Furthermore, in line with the point the Senator from South Carolina raised a moment ago, in many cases the amount withheld would be extremely small.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Wisconsin yield to me?

Mr. PROXMIRE. I yield.

Mr. WILLIAMS of Delaware. Is a copy of the amendment available?

Mr. PROXMIRE. A copy of the amendment is at the desk.

Mr. WILLIAMS of Delaware. Is that the only copy that is available? Can the Senator from Wisconsin give us a copy of the amendment?

Mr. PROXMIRE. I have before me a copy which has been changed slightly, but the Senator from Delaware is welcome to read it.

Mr. WILLIAMS of Delaware. Is this the amendment which the Senator from Wisconsin had in the committee?

Mr. PROXMIRE. It is the same, with a slight modification which I shall explain a little later. It provides an easier method in the case of educational and charitable institutions, so they will not be deprived not even for an instant of any of their interest or dividend income.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Wisconsin yield further?

Mr. PROXMIRE. I yield.

Mr. WILLIAMS of Delaware. How would the amendment work in connection with coupon bonds? Several corporations in the United States have outstanding coupon bonds. The coupons are, in effect, cashable at any bank or grocery store. Under the provisions of the amendment, how would the tax be withheld in those cases?

Mr. PROXMIRE. That would be very simple; all that the institution paying the dividend would have to do would be to pay to the Federal Treasury 18 percent of the interest or the dividends paid at the end of each quarter.

Mr. WILLIAMS of Delaware. But after the bonds are printed, under existing law the coupons are marked "Pay to bearer," and can be paid at any bank or grocery store. Does the amendment propose that the cashability of the coupons be ended; and would the amendment require that all of the coupons be returned to the paying company?

Mr. PROXMIRE. No. Certainly every corporation which issues coupon bonds, coupon-bearing instrumentalities or obligations, has a record of what is has outstanding, and knows how much of the interest comes due at the end of each quarter—if it has any bookkeeping system whatever. So it would be very simple to pay 18 percent of that amount to the Treasury.

Mr. WILLIAMS of Delaware. The problem is not that simple.

These corporations will have a million dollars' worth of bonds outstanding, and they will be owned by many persons. But 90 percent of such bonds are not registered. When the owner of the bonds presents the coupons, to be cashed, inasmuch as the coupons are marked "Pay on demand," if he presents them at, perhaps, the Chase National Bank, in New York, the coupons are then subject to being cashed on a particular date.

The company must have the funds in that bank to meet this request.

I am not opposing the principle of what the Senator is proposing. I am just wondering if the mechanics are provided in the amendment. My question is, Suppose an investor who holds one of these bonds, which is not registered, and as to which there is no way a company can know who owns it, goes to the bank or grocery store and cashes the interest coupon. Who deducts the 18 percent or 20 percent?

Mr. PROXMIRE. I now understand the question of the Senator from Delaware. I have consulted with the staff. I find there is no interest withheld in that particular case. We have made allowance for that situation in making our estimates.

Mr. President, because I am working under a limitation of time and I have a presentation to make, I think I cannot yield further. The opposition has 15 minutes. I would appreciate it very much if Senators do not ask me to yield. If I have time when I have completed my presentation, I shall be delighted to yield further.

As I stated, from the latest and most conservative estimates, $1½ billion is not reported as to dividends alone. Even if one-fifth of such dividends goes to people whose incomes are of the kind described by the Senator from South Carolina—and that would be a great deal more than is generally estimated—that would still leave $1.2 billion which is not reported, and which would be subject to a tax of at least 20 percent, minus the 10-percent standard deduction, or 18 percent. So there would be provided 18 percent of the $1.2 billion, or a recovery by the Treasury of $220 million.

This is only a part of what would be recovered, but it is all I included in my estimates. There is no question that when this kind of withholding is employed, persons who do not now pay taxes on their dividends are much more likely to pay. That is my first point.

My second point is that the average rate of tax paid by dividend recipients, again on the basis of competent estimates, is about 40 percent. So on that basis there could be brought into the Treasury as much as $500 million. I am not including that amount in my estimates. All I am including in my estimates is on the basis of 18 percent of the $1.2 billion, or $220 million as the amount which would be received by the Federal Government in additional income by withholding the tax on dividends.

The PRESIDING OFFICER. The time of the Senator from Wisconsin has expired.

Mr. MANSFIELD. Mr. President, I yield the Senator 5 additional minutes.

Mr. PROXMIRE. I shall yield in a moment. I have only 5 minutes left. The Senator from Montana has yielded me 5 minutes on the bill.

Mr. MANSFIELD. Five minutes on the amendment. If the Senator wants more, he may have it.

Mr. PROXMIRE. I thank the Senator.

The National Bureau of Economic Research estimated in 1952 that the gap between the amount individuals receive and what they pay is something like $3.4 billion. Of course, now it is much greater than that. It is at least $4 billion, because interests payments have increased greatly since 1952. Even if we exempt 25 percent, the fact is that an 18 percent withholding tax for individuals would raise $540 million.

Because I have made the exemptions which the Senator from Delaware has just pointed out, and because I have made other exemptions as suggested by the Senator from Maryland, we estimate this would not raise $540 million in interest alone, but some $320 million. Once again, I think it is an extremely conservative estimate.

I want to point out that this is not an impulsive proposal, arrived at by one Member of the Senate on the basis of his own notions. This is a proposal which has been evolved over a period of years.

In 1942 a bill of this kind was introduced. There were objections raised to it of the kind which have been raised on the floor tonight. It was modified and improved and reintroduced in 1950. It was further improved and refined in 1951. I think almost all, if not all, of the objections were eliminated.

The first objection raised was that it was a burden on the payer. We have eliminated that objection almost completely by providing the payer of the dividends does not have to provide a receipt for the recipient. We believe the purpose can be accomplished just as well without the requirement of a receipt. The requirement of a receipt would not give much of a result, and it would be a burden on the payer.

In the second place, it was complained over the years that the recipient would have to wait quite a while for a refund. The excellent experience of the department in refunding taxes withheld on salaries can be duplicated. What is more, instead of refunding over withholding, as with wages and salaries on an annual basis, the refund would be made on a quarterly basis, so no one would have to wait more than 6 or 8 weeks, at the very most.

In the third place—and this is something I have hinted at, but have not explained, and it is contained in the amendment—with reference to nontaxpaying institutions, which receive a great deal of interest and dividend income, such as universities and charitable institutions, which might be inconvenienced very greatly if they had to wait 6 or 8 weeks for a refund, they are taken care of in this provision. They can retain an equivalent portion of the amount they withhold from the employees they pay on their income tax. There is a counterbalancing amount, so they do not lose a nickel.

It seems to me when we add to the elimination of the objections, such as the inconvenience to the payer, which had been a significant objection, the advantage in the fact that the recipient will have an exceedingly brief wait for his refund, the fact that in the overwhelming majority of cases the recipient would not have to wait, because, far from an overwithholding, there would be an underwithholding, the fact that in the case of the nontaxpaying institutions—which was a legitimate problem—the institutions will not have to wait a minute, this amendment should have the votes of Senators all the way through.

So it seems to me my proposal, which would not increase the tax liability of any American citizen, which would not limit in any way the privileges legally available, which would provide no new tax, but which would raise between $500 million to $1 billion for the Federal Treasury, should be adopted.

Mr. President, I reserve the remainder of my time.

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

Mr. PROXMIRE. I would appreciate it very much if the Senator from Delaware, who I understand may oppose me, will request time from the opposite side, if that is possible.

Mr. MANSFIELD. I yield 2 minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I do not know that I am opposing the proposal. I am trying to ascertain what the Senator is trying to do. If I understand his proposal correctly, he now says he exempts coupon bonds from the withholding tax.

Mr. PROXMIRE. I was not sure of that. I have checked with the staff. I am told that coupon bonds have been exempted.

Mr. WILLIAMS of Delaware. I now refer the Senator to page 2 of his amendment. Section 7901, paragraph (b), reads:

> Interest defined. For the purposes of this chapter, the term "interest" means interest on all bonds, debentures, notes, certificates, or other evidences of indebtedness, issued by any corporation with interest coupons or in registered form.

The Senator has just stated they were exempt. I do not understand.

Mr. PROXMIRE. It is my understanding they are exempt. The amendment was modified. It was changed.

Mr. WILLIAMS of Delaware. I am reading from the amendment at the desk. There is no exemption that I can find.

Mr. PROXMIRE. Before a vote is had I think I shall be able to explain to the Senator where the exemption takes place. Having consulted with a member of the staff which drafted the bill, I understood it was exempt. I shall be glad to point out where that is done, if the Senator will withhold his inquiry for a few minutes.

Mr. MANSFIELD. Mr. President, I yield 2 minutes to the junior Senator from Texas.

Mr. YARBOROUGH. Mr. President, I asked for time in order that I might address a question to the Senator from Wisconsin in the 2 minutes granted to me by the distinguished acting majority leader.

Mr. PROXMIRE. I yield.

Mr. YARBOROUGH. Has the distinguished Senator from Wisconsin computed the amount of the additional tax which would be collected from withholding on dividends, separate from the withholding on interest?

Mr. PROXMIRE. That is correct.

Mr. YARBOROUGH. How much would be saved from withholding taxes on dividends?

Mr. PROXMIRE. Two hundred and twenty million dollars initially. I derived that figure by taking $1.5 billion as the amount involved. I subtracted $300 million, which would go to persons with incomes too low for withholdings, and I took 18 percent of the remaining figure, which amounts to $220 million. I make no allowance whatsoever for the amount which would come into the Treasury as a result of persons being reminded to pay their tax.

Mr. YARBOROUGH. What saving would there be as a result of withholding of tax on interest?

Mr. PROXMIRE. Three hundred and twenty million dollars. I do not compute that figure on all interest. There are several exceptions.

Mr. YARBOROUGH. Suppose I went to the bank to renew my note and to pay interest. Does the original borrower of the money have to withhold on the interest he pays?

Mr. PROXMIRE. The answer is "No."

Mr. YARBOROUGH. Where is that interest to be paid?

Mr. PROXMIRE. That interest is not withheld. That interest is paid by the bank.

This is not an attempt to withhold all interest. The definition on page 2, to which the Senator from Delaware referred, refers to interest on all bonds, debentures, notes, certificates, or other evidences of indebtedness issued by any corporation with interest coupons or in registered form.

Mr. YARBOROUGH. Then the individual debtor would not have to withhold interest as he paid his debt?

Mr. PROXMIRE. No. The institution would be responsible. It is my position that the institutions, by and large, report their interest and pay taxes on it.

Mr. YARBOROUGH. I thank the distinguished Senator from Wisconsin for the clarification.

The PRESIDING OFFICER (Mr. HART in the chair). The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. PROXMIRE].

Mr. MANSFIELD. Mr. President, I yield back the remainder of my time.

Mr. PROXMIRE. Mr. President, I yield back the time remaining to me.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. PROXMIRE]. [Putting the question.]

The amendment was rejected.

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

Mr. DOUGLAS. Mr. President, it would appear that in parliamentary procedure, as well as in personal life, we always save the hardest problems for the last. The amendment which I am going to call up after a time is an attempt to modify the well known depletion allowance on oil and gas.

Sometimes it is said that only fools rush in where angels fear to tread, which may be the case in this instance.

The PRESIDING OFFICER. The Senator from Illinois will suspend. The Parliamentarian advises the Chair that until an amendment is offered and is pending, time cannot be allocated.

Mr. DOUGLAS. Mr. President, I ask unanimous consent to call up my amendment numbered 6-24-59—A and ask that it be printed in the RECORD but that its reading be dispensed with.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois? The Chair hears none, and it is ordered.

The amendment proposed by Mr. DOUGLAS is as follows:

At the proper place in the bill insert the following:

"SEC. . Section 613 of the Internal Revenue Code of 1954 (relating to percentage depletion) is amended—

"(1) by striking out, in subsection (a), 'specified in subsection (b)' and inserting in lieu thereof 'specified in subsection (b) and (d)';

"(2) by striking out paragraph (1) of subsection (b) and inserting in lieu thereof the following:

"'(1) OIL AND GAS WELLS.—The percentage applicable under subsection (d)(1).'; and

"(3) by redesignating subsection (d) as (e), and by inserting after subsection (c) the following new subsection:

"'(d) OIL AND GAS WELLS.—

"'(1) PERCENTAGE DEPLETION RATES.—In the case of oil and gas wells, the percentage referred to in subsection (a) is as follows:

"'(A) 27½ PERCENT.—if, for the taxable year, the taxpayer's gross income from the oil and gas well, when added to (i) the taxpayer's gross income from all other oil and gas wells, and (ii) the gross income from oil and gas wells of any taxpayer which controls the taxpayer and of all taxpayers controlled by or under common control with the taxpayer, does not exceed $1,000,000.

"'(B) 21 PERCENT.—if, for the taxable year, the taxpayer's gross income from the oil and gas well, when added to (i) the taxpayer's gross income from all other oil and gas wells, and (ii) the gross income from oil and gas wells of any taxpayer which controls the taxpayer and of all taxpayers controlled by or under common control with the taxpayer, exceeds $1,000,000 but does not exceed $5,000,000.

"'(C) 15 PERCENT.—If, for the taxable year, the taxpayer's gross income from the oil and gas well, when added to (i) the taxpayer's gross income from all other oil and gas wells, and (ii) the gross income from oil and gas wells of any taxpayer which controls the taxpayer and of all taxpayers controlled by or under common control with the taxpayer, exceeds $5,000,000.

"'(2) CONTROL DEFINED.—For purposes of paragraph (1), the term "control" means—

"'(A) with respect to any corporation, the ownership, directly or indirectly, of stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or the power (from whatever source derived and by whatever means exercised) to elect a majority of the board of directors, and

"'(B) with respect to any taxpayer, the power (from whatever source derived and by whatever means exercised) to select the management or determine the business policies of the taxpayer.

"'(3) CONSTRUCTIVE OWNERSHIP OF STOCK.—The provisions of section 318(a) (relating to constructive ownership of stock) shall apply in determining the ownership of stock for purposes of paragraph (2).

"'(4) APPLICATION UNDER REGULATIONS.—This subsection shall be applied under regulations prescribed by the Secretary or his delegate.'

"(b) The amendments made by subsection (a) shall apply only with respect to taxable years beginning after the date of the enactment of this Act."

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

Mr. DOUGLAS. Mr. President, I understand that by informal arrangements with the majority leader I am entitled to an hour and a half of the time on the

bill, as well as 45 minutes on the amendment. In the interest of getting on with consideration of the bill, and at the same time seeking to make an adequate record, I shall take very much less than that amount of time, unless I am interrupted. If that happens I shall, of course, be glad to yield for questions.

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

Mr. DOUGLAS. I am glad to yield.

Mr. MANSFIELD. If 45 minutes and 45 minutes combined are not enough time, the Senator may have more time if he needs it.

Mr. DOUGLAS. I thank the Senator from Montana.

The PRESIDING OFFICER. Will the Senator from Illinois advise whether he is taking time on the amendment or time on the bill.

Mr. DOUGLAS. Mr. President, I will first take time on the amendment. Then, if that is not enough time, I will ask for time on the bill.

Mr. President, I yield myself such time as I may require.

THOSE WITH EQUAL INCOMES SHOULD PAY EQUAL TAXES

Mr. President, I dare say that some Senators on the floor, most of the people in the galleries, and a good portion of the fourth estate whom I see in the press gallery over the Presiding Officer are wondering whether there is any central principle in the series of amendments which a group of us have offered. Are these disconnected amendments advanced at random, or is there a concerted principle behind them?

Mr. President, there is such a concerted principle, and it has been arrived at after a long series of meetings and a long series of legislative proposals going back over many years. The principle is a very simple one.

May we have order, please, Mr. President?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Illinois may proceed.

Mr. DOUGLAS. The principle is that people with equal incomes should pay equal taxes. There is nothing in these proposals to say that we should have a progressive system of taxation, a proportional system of taxation, or a regressive system of taxation. All that is waived and is beside the point. The question is, simply, Shall people with equal incomes pay equal taxes?

The three amendments which have been offered heretofore and the fourth amendment which I offer have all been directed at this central purpose.

SPECIAL PRIVILEGE FOR THOSE WITH INCOME FROM DIVIDENDS

The amendment of the Senator from Minnesota [Mr. MCCARTHY] was designed to remove the discrimination which is now granted in favor of those who own shares of stock as compared to the recipients of other forms of income. I am delighted that the amendment carried by such a decisive vote. I am not at all certain it will survive the conference, because I have seen many promising measures go to conference and never emerge therefrom. I sometimes think the fate of good amendments which go to conference is similar to the fate of the two young princes of England who put their trust in Richard III, who went into the Tower of London under very good promises but who were strangled by Richard III and never emerged from the Tower. So, as the amendment of the Senator from Minnesota goes to conference, it will go with our prayers that it may survive, with our hopes that it will not be done to death, and that it may at least be an initial step in the reform of our tax system.

EXPENSE ACCOUNT ABUSES

The amendment of the Senator from Pennsylvania, for which I think some 32 of us voted, was an attempt to prevent groups from receiving income in the form of entertainment, gifts, and so forth, upon which no taxes would be paid. That amendment failed tonight, but I predict that with the passage of years the sentiment in favor of that principle will increase, because of scandals in connection with making Uncle Sam pay half the cost of entertainment at night clubs, at popular musicals, and the expenses of hunting lodges and conventions outside the United States. Indignation will swell.

I think it is quite a demerit in the record of the American Bar Association that the American Bar Association a few years ago was one of the worst offenders when in holding its convention in London its members charged off their traveling expenses as business expenses. This experience, I will say frankly, diminishes the the esteem in which I think the American Bar Association should be held.

The Senator from Pennsylvania failed tonight, and those of us who stood with him failed, but I know the Senator will return to the fray next year. I predict that public sentiment in the Nation will ultimately prevail.

TAX EVASION ON PAYMENTS OF INTEREST AND DIVIDENDS

The amendment which the Senator from Wisconsin has just advanced was designed to get at certain tax evaders—not tax avoiders, but tax evaders. Under our system of taxation, as the Senator from Wisconsin pointed out, if one receives wages or a salary the basic tax of 20 percent is deducted at the source. There is no change for one to cheat in those circumstances. However, if one receives interest or dividend income the tax is not deducted at the source but is required by the law to be declared by the recipient at the end of the year.

The Senator from Wisconsin produced figures which indicate that approximately $1½ billion in dividends and $3½ billion in interest were paid out by corporations and never reported for tax purposes by the recipients; therefore, a very large proportion of taxation upon such money was evaded.

The proposal of the Senator from Wisconsin, while it was rejected on a voice vote tonight, will ultimately carry, because what it seeks to do is to establish an equality of reporting. It seeks to provide that we shall not have some classes who are favored—in this case the recipients of dividends and interest, who are being given a chance to evade taxes, of which some persons take advantage—while other persons who sell personal services to others have to pay the full tax on their income.

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

Mr. DOUGLAS. I am glad to yield.

Mr. NEUBERGER. I am very favorably impressed by the informative and able speech being delivered by the distinguished Senator from Illinois. Because of that fact, I should like to have the RECORD show, inasmuch as there was no yea-and-nay vote, that on a voice vote I was in favor of the amendment offered by the Senator from Wisconsin [Mr. PROXMIRE].

Mr. DOUGLAS. I am very glad the Senator from Oregon has made that clear. It is in keeping with his whole record.

In order that the RECORD may be clear, may I say also that the Senator from Illinois raised his voice, too, in support of the amendment of the Senator from Wisconsin.

I see in the chair the distinguished junior Senator from Michigan [Mr. HART] who raises his hand, and unless he contradicts me, I take it that he wishes to make it clear that he, too, voted for the amendment of the Senator from Wisconsin.

Mr. NEUBERGER. We were all in unison.

Mr. DOUGLAS. But we were not enough.

TWO BILLION DOLLARS IN SAVINGS

Mr. President, I am presenting the fourth of a series of amendments, an amendment to reduce the depletion allowances on oil and gas. If all four of those amendments had been adopted, we believe they would have produced, directly and indirectly, not far from $2 billion in additional revenue. In the form in which they went before the Finance Committee they would have produced $2,350 million. They were whittled down. But in the estimate of the Senator from Wisconsin, the indirect effects of withholding were not included, because if we had correct reporting of dividends and interest—since most of it is received by those in the upper income brackets—this would have carried with it higher supertaxes, in addition to the basic tax of 18 to 20 percent.

So I believe roughly that an estimate of $2 billion as the amount which would have been added is approximately correct.

I think it is worth noting that this would merely have made an approach to having people with equal incomes pay equal taxes. We would have plugged some of the loopholes, which have grown to such an extent that they are not loopholes any more, but truck holes, which enable certain favored classes to receive income without paying taxes, or without paying commensurate taxes. There are other loopholes which would have remained.

WOULD ALLOW SOME TAX REDUCTION

If this package could have gone through—as I predict it will some day go through—several byproducts would have followed. For one thing, I think it would have made possible a reduction in certain taxes. I will let the Senate and the country in on a secret. We have in our files a tax bill which, if these reductions had gone through, we would have put into the hopper, which would have reduced excise taxes to the extent of approximately $600 million, and which would have made a reduction in income taxes of $340 million. I may say that in this connection the income tax reductions would have been primarily in the upper income brackets, reducing the supertax from 91 percent to a maximum of 75 percent, and scaling down the progressive rates from that figure to the middle income groups. The lower income groups would benefit from the reductions in excise taxes.

What we would have done would have been to introduce greater equity and greater justice within the various groups, so that those in the upper income brackets, who paid their taxes honestly and neither sought to evade nor avoid the taxes, would have their taxes reduced, while those who did seek to evade or avoid would have had their taxes increased. In other words, we proposed a horizontal redistribution of the tax burden; but, of course, we also wanted some reduction in excise taxes, and this would have reduced the scale for the middle brackets, and in some cases the lower brackets.

HELP BALANCE BUDGET

If we dwell upon what might have been, as John Greenleaf Whittier once said, those are the saddest words of tongue or pen. If we go into the question of what might have been, if savings of $2 billion could have been put into effect, we would, of course, have had a tax reduction. We would clearly have balanced the budget. As a matter of fact, I think the budget will come close to being balanced anyway.

WELFARE PURPOSES AND DEBT PAYMENTS

We would have had some money to devote to welfare purposes, health, education, and housing, and we would have had a surplus which could have been used to help retire a portion of the public debt. Once the Government starts to retire the public debt instead of borrowing, this means that the price of bonds will rise, the yield on bonds will fall, the interest rate will fall, and, in my judgment, it will not be necessary for the administration to raise the interest rate. Of course, we know that they want to raise the interest rate. That is their heart's desire. But the excuse for raising the interest rate would be removed.

So this package was a consistent, well-thought-out program. Only one portion of it has been adopted. I sadly fear that this portion faces strangulation at the hands of the conference committee.

Some day I intend to write a glossary of senatorial terms, and write definitions for various terms used on the floor of the Senate. One term is, "We will take it to conference." This means, "We will save your face before the voters and give you a paper victory, but put your proposal to death when we get it in conference."

There are other definitions in the tentative glossary which I have compiled, and which, when I retire from the Senate, I shall publish, but I shall not go into them at this time.

I wish to turn now to the depletion allowance—perhaps the greatest abuse in our whole tax structure, an abuse deeply imbedded, defended by the most powerful economic interests in the country, so that in a sense it seems somewhat quixotic to attack it. Nevertheless, the Senator from Illinois has been attacking it for 9 years, and he does not propose to stop now.

What is it that a group of us, some 10 in number, are proposing in the amendment which is now before this body? I feel deeply honored at the number of Senators who stood up on this issue and put their names to the amendment, braving the wrath of the powerful barons of the oil and gas industry.

SLIDING SCALE REDUCTION

What would this amendment do? It would reduce the existing 27½ percent depletion allowance for oil and gas to 15 percent, for those who receive income from oil and gas properties in excess of $5 million a year. It would diminish it from 27½ to 21 percent for those who receive income from oil and gas properties amounting to between $1 million and $5 million a year. I am speaking of gross income. But it would retain the existing 27½ percent for those with gross incomes from oil and gas properties below $1 million a year. In other words, this amendment proposes a sliding scale for the depletion allowance, to replace the present flat 27½ percent, retaining this figure for those with gross incomes under $1 million, but reducing it to 21 percent for those who have gross incomes between $1 million and $5 million, and to 15 percent for those with gross incomes of more than $5 million.

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

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. I should like to emphasize the moderation of the Senator's amendment. In the first place, it would not eliminate the depletion allowance. It would simply cut it back from 27½ percent to 21 percent in the case of medium-sized companies, that is, those which gross between $1 million and $5 million, and to 15 percent for the giant companies; but it would not reduce it at all for the little companies.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. I may point out at this juncture to my friend from Illinois something which he undoubtedly knows, namely, that a study was made in 1952 by the President's Material Policy Committee of 260 selected corporations, which, incidentally, accounted for 80 percent of the corporations using depletion. The study showed that oil companies charged 19 times as much allowable depletion as they would have if limited to simply recovery of capital investment.

What the Senator from Illinois is doing is not cutting that 19 times down to 1. He is cutting it down, in the case of the allowance, only to 10. He is saying the oil companies can charge off their investment 10 times or tenfold, they charge off their investment 10 times over. That is a moderate, middle-of-the-road proposal.

Mr. DOUGLAS. It is so modest that I am astonished at my own moderation.

Mr. PROXMIRE. I should like to emphasize the figures, because we have been startled to learn that the allowable depletion of these companies, according to the President's Materiel Policy Commission, was $1,075 million. If they had adjusted it and depreciated it on the basis of the cost of their investment, it would have been $44,200 million.

Mr. DOUGLAS. I appreciate the Senator's statement.

Mr. PROXMIRE. I point out that the small company, the company which has a gross of a million dollars a year or less, is not touched at all by this amendment.

Mr. DOUGLAS. That is correct. The royalty recipient is not touched.

I wish to pay tribute to the Senators who are standing with me in this fight: the Senator from Wisconsin [Mr. PROXMIRE], the Senator from Pennsylvania [Mr. CLARK], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Missouri [Mr. HENNINGS], the Senator from Oregon [Mr. MORSE], the Senator from Michigan [Mr. MCNAMARA], the Senator from Ohio [Mr. LAUSCHE], the Senator from Colorado [Mr. CARROLL], and the junior Senator from Ohio [Mr. YOUNG], who are cosponsors of the original bill.

SPECIAL TAX ALLOWANCES TO THE OIL AND GAS INDUSTRY

Under the present law, in addition to the 27½ percent depletion allowance, there is a host of costs and special allowances which are also deductible from gross income, even before the depletion allowance applies.

These are, first, operating costs, which are, of course, proper deductions.

Second. Intangible drilling and development costs, which my amendment does not change. But it should be noted that these costs can be written off in the year in which they occur and are not spread over a period of years, as is the case in other industries. It has been estimated that between 75 and 90 percent of all costs can be written off in 1 year in this manner. We have, therefore, already accorded to this industry virtually the ultimate in accelerated depreciation and fast tax writeoffs.

Third. Unsuccessful or dry holes can, of course, be written off against the income from successful drillings. The tax is computed not on an individual well basis, but on the basis of all the properties of the owner or the operator.

Fourth. A 14-point reduction in the tax itself—or a reduction from 52 percent to 38 percent on taxable income—for income derived from operations abroad in the Western Hemisphere,

such as operations in Venezuela, Canada, and Mexico.

Fifth. Royalty payments abroad, particularly in the Near East, may be disguised as income tax payments for which foreign tax credits is then available. A company, therefore, escapes liability for the U.S. tax by being allowed to take a credit for a payment which a domestic taxpayer would be permitted to deduct only from gross income, rather than to take it as a credit against tax.

Sixth. There is also the capital gains tax advantage.

PERCENTAGE DEPLETION

In addition to all these provisions, which would seem to be quite generous, a further allowance is permitted, called the percentage depletion allowance. In the case of gas and oil, this amounts to an additional 27½ percent of gross income up to one-half of net income. This allowance is, moreover, permitted in perpetuity so long as there is any flow of oil or gas from the well. It is not limited to recapturing the cost of the well in question, most of which cost, as we have seen, is recovered for tax purposes in the year the outlay is made through the intangible drilling and development cost deduction.

Some wells have been flowing for 30 or 40 years, and the 27½ percent depletion allowance has been allowed every year. This practice can continue. The Senator from Wisconsin has just produced figures which indicate that the amount of deduction is vastly greater than the cost of the properties.

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

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. The Senator has indicated the enormous additional tax advantages which the oil companies have, depletion being only one, expensing being another, writeoff of intangibles being another, the "golden gimmick" being still another. Capital gains, of course, is a great advantage.

It is interesting to me to observe that the 27 largest oil companies, between 1945 and 1954, paid in taxes 17 percent of their net income, although, of course, all corporations are subject to a 52 percent tax, and the average corporation, as I understand, pays about 48 percent.

Mr. DOUGLAS. I think that is true. The oil and gas industry has paid approximately one-third the rate of taxation which other corporations pay. Therefore, either there has been overdevelopment, or the payments to stockholders have been greater in those companies than equal investments would have yielded elsewhere.

Mr. PROXMIRE. Once again, the modesty of the Senator from Illinois, or the moderateness of his amendment, it seems to me, is emphasized by the fact that if only the 10 largest oil companies had paid the same average tax as other corporations paid in 1955 alone, the Treasury would have received an additional $600 million from only those 10 companies.

Mr. DOUGLAS. The Senator from Wisconsin is correct. In a little while I shall submit further evidence to show how much this avoidance of tax amounts to.

VALUE OF DEPLETION ALLOWANCE HAS INCREASED

The percentage depletion allowance was put into effect sometime in the 1920's. It has remained at 27½ percent throughout that time. But in the beginning, corporation tax liability amounted to only 14 percent of corporate income, so that 27½ percent of that figure amounted to about 4 percent of corporate profits. It therefore was a very slight advantage when the rate of corporate taxation was low. But now that the rate of corporate tax is 52 percent, it will be noted that the 27½ percent depletion allowance is, on gross income, up to one-half of net income, and that this can be deducted from the corporate tax.

The value of the allowance, therefore, to the oil and gas industry has with the elapse of time grown tremendously.

Mr. PROXMIRE. It is almost four times as great in value as it was then.

Mr. DOUGLAS. That is correct.

Mr. PROXMIRE. If the amendment of the Senator from Illinois simply cut back the depletion allowance to what it was when it was originally written into the law, it would cut it back to some 7 or 8 percent, instead of 15 percent. So it would be twice as great in value to the oil companies, if this amendment should be enacted as it was when the depletion was enacted in 1926. The oil companies would be enjoying twice the advantage they enjoyed at the time the original law was placed on the books.

DEPLETION ALLOWANCE UNIVERSALIZED

Mr. DOUGLAS. At least twice; probably somewhat more.

Not only has the depletion allowance for oil and gas benefited the oil and gas companies in increasing measure throughout the years; it has furnished a precedent and has been the vanguard to carry on a series of similar allowances applying to everything which lies underneath the ground, and in some cases underneath the sea. It applies to virtually everything which is under the ground—to coal, to sulfur, to uranium, to titanium, to zinc, to lead, to fluorspar.

I well remember, in 1951, when it was extended to sand and gravel and to oyster shells and clam shells.

The excuse is frequently given that it is necessary to provide this extra bonus because there are such things as dry holes. What is the danger of getting dry holes in connection with sand and gravel or clam shells and oyster shells? Yet these industries claim a depletion allowance on top of these other tax benefits.

Mr. PROXMIRE. What is the rate of depletion on most of the other minerals?

Mr. DOUGLAS. They vary from 5 to 27.5 percent.

Mr. PROXMIRE. Is it not true that oil has a much higher depletion allowance than any other mineral?

Mr. DOUGLAS. Oh, yes. In the royal family of depletion allowances, oil and gas, like Abou ben Adhem, lead all the rest.

Mr. PROXMIRE. Is it not true that this fact can be quite dangerous to the tax structure? After all, if oil gets 27½ percent, why should not some of the other minerals get 27½ percent?

Mr. DOUGLAS. As a matter of fact, the oil and gas allowance has exercised a steady gravitational pull. The allowances for the other minerals have moved up, as they have looked up to the sun-crowned heights of oil and gas and have contemplated that 27½ percent.

Mr. PROXMIRE. So if the amendment of the Senator from Illinois should be adopted, and oil placed in the same category of many other minerals—15 percent—then this temptation would be removed.

Mr. DOUGLAS. That is correct. The Senator from Illinois is not proposing to reduce the depletion allowance on the other minerals, some of which do have more than 15 percent. If anyone wishes to offer an amendment to include them, I will be very glad to support such an amendment. But I am not anxious to get the whole mineral industry down on me at one time. But I do want to take an initial step; and I believe that if and when this step is taken, then other inequities will gradually be ironed out. In other words, let us go after the king, first; and then the other members of the royal family will alter their conduct.

Mr. President, this oil and gas depletion allowance is almost a perfect example of a case where, instead of closing a loophole in the law, an attempt has been made to make the loophole universal.

FACTS ABOUT DEPLETION

Now let me turn to some of the facts about depletion allowances, in general, and the oil and gas depletion allowance, in particular.

I have here three tables. One shows the amount of all depletion which corporations took as income-tax deductions in the period 1946 to 1956; another table shows the same deductions by total asset classes; and a further table shows corporate depletion deductions and net income by total asset classes for the years 1952 to 1956. These tables are printed on pages 66, 67, and 68 of the hearings. The last column on page 67 shows that deductions for depletion amounted to $3,056,700,000.

Another of the tables shows who took the depletion allowances. I call attention to the last item of the second table—the one on page 67 of the hearings. It shows that $2,082 million of these allowances were taken by corporations with assets of over $100 million. In other words, the corporations with assets of over $100 million got two-thirds of the swag.

I ask unanimous consent that these tables may be printed in the RECORD at this point in my remarks.

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

TABLE 1.—*Selected corporate business deductions, all corporations, 1946–56*

[Dollar amounts in millions]

Deduction	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Compensation of officers	$5,143.1	$6,026.4	$6,733.3	$6,743.0	$7,606.8	$8,122.0	$8,430.0	$8,776.7	$9,113.2	$10,480.7	$11,045.1
Interest paid	2,251.0	2,501.4	2,758.7	3,045.1	3,211.9	3,700.5	5,013.2	5,680.9	6,270.6	7,058.4	8,281.0
Taxes paid	5,830.5	6,892.9	7,481.7	8,361.3	9,013.2	11,030.8	11,696.8	12,194.9	12,476.9	14,202.6	15,038.5
Contributions or gifts	213.9	241.2	239.3	222.6	252.4	343.0	398.6	494.5	313.8	414.8	418.0
Depletion	798.9	1,210.3	1,711.3	1,476.2	1,709.3	2,085.1	2,126.5	2,301.8	2,358.6	2,805.5	3,084.3
Depreciation	4,201.7	5,220.1	6,298.6	7,190.5	7,858.1	8,829.0	9,604.4	10,410.6	13,691.5	13,418.8	14,952.9
Amortization	64.5	58.9	38.9	30.6	43.3	291.9	831.3	1,515.3		2,590.3	2,625.9
Advertising	2,408.3	3,032.2	3,466.0	3,772.7	4,097.0	4,552.9	5,026.8	5,480.9	5,770.2	6,601.8	7,061.6
Amounts contributed under pension plans, etc.[1]	834.6	1,038.3	1,153.5	1,216.1	1,660.9	2,326.9	2,551.8	2,936.3	2,840.3	3,296.2	3,645.5
							[2] 860.9	[2] 860.9	[2] 910.6	[2] 1,146.9	[2] 1,302.9
Other [3]	5,892.1	7,338.4	8,062.8	7,998.7	8,371.3	9,709.7	10,493.6	11,520.5	11,445.5	12,959.1	14,325.4
Total selected deductions	27,638.6	33,560.1	37,944.1	40,056.8	43,824.2	50,991.8	56,803.4	62,273.3	65,191.2	74,975.1	81,781.1

[1] Deductions claimed under sec. 23(p) of the Internal Revenue Code for amount contributed by employers under pension, annuity, stock-bonus, or profit-sharing plans, or other deferred compensation plans.

[2] Contributions under employee welfare plans.

[3] Includes bad debts, repairs, and rent paid on business property.

Source: Internal Revenue Service, Statistics of Income, Corporation Income Tax Returns.

TABLE 2.—*Corporate depletion deductions by total assets classes, 1946–55* [1]

[Millions of dollars]

Assets classes	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Under $50,000	3.3	3.9	3.9	3.7	4.0	3.5	3.1	4.7	4.2	5.7	8.6
$50,000 and under $100,000	3.7	4.6	5.5	4.0	4.4	3.7	5.2	3.7	4.3	5.2	6.9
$100,000 and under $250,000	10.8	14.7	16.1	11.9	12.6	12.1	13.5	13.5	15.7	27.2	21.1
$250,000 and under $500,000	12.8	18.9	21.4	16.1	17.1	21.4	21.2	21.4	22.6	26.0	27.5
$500,000 and under $1,000,000	23.2	31.8	40.8	21.4	31.5	41.4	35.1	38.6	32.2	45.1	43.1
$1,000,000 and under $5,000,000	71.3	108.3	126.1	101.0	120.8	160.8	150.3	154.0	147.4	191.5	181.6
$5,000,000 and under $10,000,000	38.3	54.3	72.5	57.5	68.5	83.8	85.7	83.3	73.7	80.0	96.7
$10,000,000 and under $50,000,000	130.7	165.5	245.2	213.1	278.9	318.9	297.7	306.1	290.3	351.2	339.9
$50,000,000 and under $100,000,000	38.6	85.7	89.7	92.8	115.2	120.8	131.2	119.8	134.0	178.1	249.0
$100,000,000 or more	445.0	713.8	1,076.5	895.1	1,038.8	1,299.3	1,370.0	1,539.3	1,517.9	1,869.0	2,082.5
Total	777.7	1,201.4	1,698.9	1,426.5	1,691.8	2,065.8	2,112.9	2,284.3	2,242.4	2,779.0	3,056.7
	Percentage distribution										
Under $50,000	0.4	0.3	0.3	0.3	0.2	0.2	0.1	0.2	0.2	0.2	0.3
$50,000 and under $100,000	.5	.4	.3	.3	.3	.2	.2	.2	.2	.2	.2
$100,000 and under $250,000	1.4	1.2	.9	.8	.7	.6	.6	.6	.7	1.0	.7
$250,000 and under $500,000	1.7	1.6	1.3	1.1	1.0	1.0	1.0	.9	1.0	.9	.9
$500,000 and under $1,000,000	3.0	2.6	2.4	2.2	1.9	2.0	1.7	1.7	1.4	1.6	1.4
$1,000,000 and under $5,000,000	9.2	9.0	7.4	7.1	7.1	7.8	7.1	6.7	6.6	6.9	5.9
$5,000,000 and under $10,000,000	4.9	4.5	4.3	4.0	4.1	4.1	4.1	3.6	3.3	2.9	3.2
$10,000,000 and under $50,000,000	16.8	13.8	14.4	14.9	16.5	15.4	14.1	31.4	12.9	12.6	11.1
$50,000,000 and under $100,000,000	5.0	7.1	5.3	6.5	6.8	5.8	6.2	5.2	6.0	6.4	8.1
$100,000,000 or more	57.2	59.4	63.4	62.7	61.4	62.9	64.8	67.4	67.7	67.3	68.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] All returns with balance sheets.

Source: Internal Revenue Service, Statistics of Income, pt. 2.

NOTE.—Detail may not add to totals because of rounding.

TABLE 3.—*Corporate depletion deductions and net income by total assets classes, 1952* [1]*–55*

[Dollar amounts in millions]

Assets classes	1952			1953			1954			1955			1956		
	Net income [2]	Depletion deductions	Depletion deductions as percent of net income	Net income	Depletion deductions	Depletion deductions as percent of net income	Net income	Depletion deductions	Depletion deductions as percent of net income	Net income	Depletion deductions	Depletion deductions as percent of net income	Net income	Depletion deductions	Depletion deductions as percent of net income
Under $50,000	$382.5	$2.6	0.7	$370.6	$3.2	0.9	$354.9	$3.3	0.9	$422.6	$4.7	1.1	$486.0	$3.6	0.7
$50,000 and under $100,000	577.0	4.7	.8	539.3	3.1	.6	518.1	2.9	.6	631.3	4.1	.6	722.7	4.6	.6
$100,000 and under $250,000	1,364.9	11.2	.8	1,251.1	11.2	.9	1,281.3	13.3	1.0	1,571.8	20.8	1.3	1,756.1	17.2	1.0
$250,000 and under $500,000	1,336.0	17.5	1.3	1,228.0	18.0	1.5	1,252.2	17.5	1.4	1,589.6	22.0	1.4	1,690.4	22.8	1.3
$500,000 and under $1,000,000	1,644.7	27.4	1.7	1,473.2	28.8	2.0	1,459.3	23.9	1.6	1,871.0	37.0	2.0	1,861.9	32.5	1.7
$1,000,000 and under $5,000,000	4,716.4	129.2	2.7	4,331.5	120.1	2.8	4,172.5	120.8	2.9	5,293.6	155.2	2.9	5,197.7	142.3	2.7
$5,000,000 and under $10,000,000	2,319.1	64.6	2.8	2,188.6	70.2	3.2	2,025.7	59.5	2.9	2,410.3	65.5	2.7	2,512.0	73.6	2.9
$10,000,000 and under $50,000,000	6,105.7	250.9	4.1	6,123.9	263.6	4.3	5,555.0	245.0	4.4	6,736.3	305.1	4.5	6,993.4	278.1	4.0
$50,000,000 and under $100,000,000	2,806.5	122.4	4.4	2,854.4	106.5	3.7	2,813.8	113.4	4.0	3,174.9	157.6	5.0	3,488.0	211.1	6.1
$100,000,000 or more	19,105.5	1,350.5	7.1	21,384.2	1,515.6	7.1	20,085.6	1,489.9	7.4	26,568.5	1,835.9	6.9	25,596.2	2,056.8	8.0
Total	40,358.3	1,980.9	4.9	41,750.9	2,140.3	5.1	39,518.4	2,089.3	5.3	50,270.9	2,608.1	5.2	50,304.6	2,842.6	5.7

[1] Returns with balance sheets and net income.

[2] Compiled receipts less compiled deductions as shown in Statistics of Income.

Source: Internal Revenue Service, Statistics of Income, pt. 2.

Mr. DOUGLAS. Now I see my good friend, the junior Senator from Oklahoma [Mr. MONRONEY], rising to his feet. I know what he is going to say.

Mr. MONRONEY. Mr. President, I think it would help us if the Senator from Illinois, with the aid of the vast amount of statistical information which he and his colleague have, would identify the "big boys," so as to let us know those who are engaging in the overseas production of gas and oil——

Mr. DOUGLAS. Let me say that my amendment would hit oversea gas and oil producing companies just as much as it would hit domestic gas and oil producing companies; and I hope my good friend will not let his heart bleed too much for those at home, in trying to apply the amendment to those overseas.

Mr. MONRONEY. But certainly the Senator from Illinois could supply the figures, in connection with the $2,082 million in depletion allowances to the large companies—the largest in the United States, for those which have holdings overseas, and which make use of a tax device which is not connected with the ordinary depletion allowance given to domestic producers. Actually, the oversea companies wind up with about a 55-percent depletion allowance, because the royalty which the owner of the land received, and which originally was considered a working interest, is now considered by the Attorney General to be a tax payment.

Therefore, it would clarify the record—and I know the Senator from Illinois would like to have that done—if he would identify these great takers of depletion, so as to show exactly which ones are producing the oversea oil. Actually, he will find that much of their profit is coming from the oversea source.

Mr. DOUGLAS. Mr. President, let me say that the tables are taken from the "Statistics of Income," published by the Bureau of Internal Revenue, and they do not identify individuals. I am not interested in pillorying any individual or company, by means of the figures I have here. I could do so if I wished to, in some cases; but I do not wish to do so. I wish to make the case on the basis of principle, not on the basis of whether so and so is the bigger culprit. Furthermore, Mr. President, I invite attention to table 2, which shows that only 3½ percent of the depletion allowances are taken by corporations with assets of less than $1 million.

I see my good friend, the senior Senator from Oklahoma [Mr. KERR], entering the Chamber. I do not think he is with me on this issue; but I will shake hands with him in fraternal affection.

Mr. KERR. Mr. President, I express my deep appreciation to my good friend for doing so; I have never known him to fail to do so. [Laughter.]

Mr. DOUGLAS. The big boys are the ones who get the depletion allowances.

Mr. LAUSCHE. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. I am glad to yield to the Senator from Ohio, who is one of the cosponsors of the amendment.

Mr. LAUSCHE. And I am very glad to be a cosponsor of the amendment.

I desire to commend the Senator from Illinois for his unrelenting fight to protect the taxpayers of the country and to take from the privileged a right which does not justifiably belong to them, and for which the general public has to pay.

Mr. DOUGLAS. I thank the Senator from Ohio.

Mr. LAUSCHE. I refer now to page 81 of the testimony at the hearings. I ask these questions merely to ascertain whether we can put into perspective the position of the ordinary corporation, as compared to the position of the companies that have been granted the privilege of deducting from the taxes they pay what is known as the allowance for depletion.

Mr. DOUGLAS. Yes. Let me say, for the RECORD, and for the benefit of those who are in the Chamber, that during the hearings, I placed in the record the income statements and the tax statements of 28 oil and gas producing companies, which I designated, not by name, but by letter; and the Senator from Ohio is now calling attention to certain companies listed on page 81 of the hearings.

Mr. LAUSCHE. And I am picking out at random, on page 81, the company designated by the letter "P." On that page, we find that in 1958 the net income of that company, before taxes, was $6 million-plus.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. The company paid income taxes of $470,000.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And its net income after taxes was $5,700,000-plus.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. The percentage of tax that it paid on its income was 7.66.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. What would the ordinary corporation have paid on income of that type?

Mr. DOUGLAS. The effective rate is approximately 50 percent.

Mr. LAUSCHE. So the ordinary corporation would have paid 50 percent of $6,135,000, which would have been about $3 million. But because this company was an oil or gas producing corporation, it paid only $470,000, which was equivalent to 7 percent; is that correct?

Mr. DOUGLAS. That is correct—only at about one-seventh of the rate of taxation which a company in other fields would be required to pay.

Mr. LAUSCHE. Such companies in other fields would have paid at the rate of 50 percent, in which case the tax would have amounted to approximately $3 million; but in the case of this company, which is a part of the oil and gas producing industry, its tax payment was at the rate of 7 percent, and its tax amounted to $470,000; is that correct?

Mr. DOUGLAS. That is correct.

I wish the Senator from Ohio, who has touched on a very valuable point, would turn to page 83, and would examine the record of company W. I wonder whether the Senator from Ohio will read those figures.

Mr. LAUSCHE. Company W, as listed on page 83, in 1958 had a net income, before income taxes, of $16,500,000-plus, I believe.

Mr. DOUGLAS. Sixteen million seven hundred thousand plus.

Mr. LAUSCHE. Yes. Company W, on a net income, before income taxes, of $16,700,000-plus, paid an income tax of $175,000.

Mr. DOUGLAS. Yes; and there is a footnote which states that those were foreign income taxes.

Mr. LAUSCHE. And after the company paid the $175,000 in taxes, it still had a net income of $16,551,000, which means that the company paid its tax at the rate of 1.05 percent.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. In other words, it paid a tax of $1.05 on each $100 of its income.

Mr. DOUGLAS. Yes; and that tax was paid to a foreign government, and taken as an offset against their domestic tax liability.

Mr. LAUSCHE. In our country, what would the corporation have paid?

Mr. DOUGLAS. At least 50 percent, if it were an ordinary corporation—or more than $8 million.

Mr. LAUSCHE. More than $8 million; but that oil and gas producing company, although an ordinary corporation would have paid $8 million in taxes, paid only $175,000 in taxes; is that correct?

Mr. DOUGLAS. Yes.

Will the Senator from Ohio examine the figures for 1957?

Mr. LAUSCHE. Yes. We find that the company had a net income, before income taxes, of $18,800,000-plus, for 1957; but it paid no taxes.

Mr. DOUGLAS. That is correct; it paid none at all.

Will the Senator from Ohio examine the figures for 1956?

Mr. LAUSCHE. Yes. The company had an income of $5,040,000, but it paid no income tax at all.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And the same occurred in 1955, when it had an income of $3 million. But in that year it paid no income taxes at all.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And in 1954, the company had an income of $10 million, and it paid $100,000 in taxes.

Mr. DOUGLAS. There is a $100,000 entry there; but I ask the Senator from Ohio to look at footnote No. 6.

Mr. LAUSCHE. Oh. In other words, the $100,000 was a credit, not a taxpayment; is that correct?

Mr. DOUGLAS. Yes; it was a credit. Instead of paying any income tax, the company actually got back $100,000.

Mr. LAUSCHE. That company, which in 1954 got back $100,000, would have paid, if it had been an ordinary corporation, a tax of about 50 percent of its net income before income taxes, I understand.

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And it would have paid $5 million in taxes?

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. But in this instance, instead of paying taxes, it got back $100,000 as a credit?

Mr. DOUGLAS. That is correct.

Mr. LAUSCHE. And that is what the Senator from Illinois is complaining about?

Mr. DOUGLAS. It certainly is. Look again at 1953.

Mr. LAUSCHE. I thank the Senator very much. I refer to 1953, company W. I understand the Senator from Illinois has not identified the names of these companies because he does not want to take undue advantage of them and have the spotlight pointed at them.

Mr. DOUGLAS. That is correct, unless I am forced to do so in self-defense.

Mr. LAUSCHE. Now we are speaking about 1953.

Mr. DOUGLAS. Yes.

Mr. LAUSCHE. In 1953 the income was $11,500,000.

Mr. DOUGLAS. Yes.

Mr. LAUSCHE. And the taxes which were paid, with footnote 6, were $500,000.

Mr. DOUGLAS. What does the footnote say?

Mr. LAUSCHE. The company obtained a credit.

Mr. DOUGLAS. Although it made a net income of $11,500,000, instead of paying a tax, the Government paid it $500,000.

Mr. LAUSCHE. If this 1953 company W were an ordinary corporation, it would have paid 50 percent of the $11 million, which would have been $5,500,000. Is that correct?

Mr. DOUGLAS. That is correct. I have tabulated the figures. In 6 years company W received $65.7 million in income, and it had a net tax rebate of $425,000.

Mr. LAUSCHE. Will the Senator repeat those figures, please?

Mr. DOUGLAS. Yes. In 6 years company W made a net profit of $65.7 million, paid no taxes at all, and the Government actually gave it $425,000 as a net tax rebate.

Mr. LAUSCHE. I say to the Senator from Illinois, if he went down the byways and told the people of the United States what is being achieved through this depletion tax allowance, we would have a revolution.

Mr. DOUGLAS. I do not want a revolution. I want only a reform.

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

Mr. DOUGLAS. Yes.

Mr MONRONEY I have listened to the interesting colloquy. Does the Senator from Illinois contend that the figures he has discussed are the sole result of the depletion allowance?

Mr. DOUGLAS. No.

Mr. MONRONEY. I think he should make it absolutely clear, because the Senator from Ohio has just said that is the sole result of depletion.

Mr. DOUGLAS. As a matter of fact——

Mr. MONRONEY. Will the Senator let me complete my statement? I have read the Senator's statement. I have examined the chart. I know, and I am sure the Senator from Illinois knows, that no company or individual operator can expense more than half of the net income from each property. That is a part of the tax law. Certainly, there must be some charges that do not appear in the Senator's table. I think it would be enlightening, to the Senator from Ohio particularly, who is astounded that there is a rebate as a result solely of the depletion allowance, because the law provides that a company cannot expense or charge off more than half the net income from each property. If there are development costs, if there are leasing costs, if half of the State of Oklahoma does not produce oil, but is under lease at a certain charge in the hope that oil will be found, that is an operating cost, and perhaps that is the cost we have to pay in order to have a domestic supply of oil.

The PRESIDING OFFICER. The Chair will inform the Senator from Illinois that he has exhausted all his time on the amendment, and he has 1 hour and 15 minutes on the bill.

Mr. MONRONEY. I will yield some time from the time of the opponents of the amendment, if the Senator wishes more time. We do not expect to use all our time.

Mr. DOUGLAS. It is not necessary to ask the Senator from Oklahoma to do this. We will stand on our own.

Mr. LAUSCHE. Here is one of the very things I complain about. The oil producers and gas producers maintain they are engaged in a hazardous business, and therefore, to induce them to continue, it is asserted the Government should grant them a 27½ percent depletion allowance in their taxes because of the depreciation of their capital investment. Yet in the next breath they state that every penny they expend in making explorations can be charged off as an operating expense and be fully considered.

Mr. DOUGLAS. And virtually all of it can be charged off in the initial year.

Mr. LAUSCHE. Would the Senator from Illinois allow me to read an article which was published in the Cleveland press, and which I think is of tremendous significance?

Mr. DOUGLAS. I shall be very glad to have the Senator do so.

Mr. LAUSCHE. A Texas oil man came to Cleveland to address a seminar on how to invest money. The query was, "Where can I put my money to produce the greatest profit?" I now read the article:

Exploration for gas and oil offers the greatest opportunity for the high-bracket taxpayer who has a gambling spirit at heart, according to Grant E. Judge, partner of Arthur Andersen & Co. in its Houston, Tex., office.

Judge, who wrote the "Bible" on taxation of gas and oil, was here as one of eight national experts today for a 1-day seminar on deferred compensation and estate planning at Hotel Carter. He addressed some 600 Cleveland executives at noon.

The program is cosponsored by the Cleveland chapter, American Society of Chartered Life Underwriters and the Cleveland Chamber of Commerce, and endorsed by the Cleveland Bar Association.

"Even though we are in a recession and the oil industry is hard hit by an oversupply of crude oil and price regulation of natural gas, oil and gas still are among the few opportunities by which a person can acquire substantial wealth," said Judge.

For a business executive in the 90 percent bracket, $10,000 could be worth as much as $100,000 if successfully invested in a gas and oil venture due to numerous tax incentives set up by the Government to spur development of our natural resources, Judge said.

In exploration, the Government permits you to deduct all gambling losses, Judge noted.

"An individual in the 90 percent tax bracket can consider Uncle Sam as his partner in up to 90 percent of all losses incurred in exploring for oil and gas" said Judge.

"Because of the 27½ percent depletion allowance, Uncle Sam takes a relatively modest share of the income of successful ventures.

"If you are in the 90 percent tax bracket you are risking only 10 cents out of a dollar spent on unsuccessful ventures. As to successful ventures, the effective tax rate on income to a 90 percent bracket taxpayer is about 65 percent.

"There, in a nutshell, is the reason that exploration for oil and gas has become so attractive in the last decade. It is the one way that a taxpayer can acquire valuable property through the use of income funds."

Keynoter today was William J. Casey, New York attorney and chairman of the board of editors, Institute for Business Planning.

Other speakers were John O. Tomb of the Chicago office of McKinsey & Co., management consultants; James F. Thornburg, South Bend, Ind., tax authority; Robert S. Latham, CPA, tax partner here of Arthur Andersen & Co.; Robert J. Lawthers, New England Mutual Life Insurance Co.'s director of benefits and pensions; John G. Ellis, president of Sprayon Products Inc. here, and Rene Wormser, New York attorney and expert in estate planning.

In other words, if one has money and is paying 90 percent of it in taxes, instead of paying the taxes, begin boring for oil. If the investor strikes oil, he becomes rich. If he misses, the Government pays 90 percent of the cost and the investor pay 10. It is a fraud, it is a swindle, and it ought to be stopped.

Mr. DOUGLAS. Mr. President, I was a little bit peremptory with the Senator from Oklahoma [Mr. MONRONEY], who, in good grace, offered me time from the opposition. I was ungracious in saying that we will operate on our own. I hope he will excuse me, and I hope I have not hurt his feelings.

Mr. MONRONEY. The Senator from Illinois never injures my feelings. I know the interest he has in this matter. Since no one was present on our side, I offered to yield time in the hope that we would be able to get an accurate interpretation of the figures the Senator was citing.

Mr. DOUGLAS. Mr. President, I should like to have placed in the RECORD, and I ask unanimous consent to do so, the tables dealing with the companies in question, beginning at page 75 of the hearings, and extending through page 85.

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

Company A

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$22,485,135	[1]	$22,485,135	
1957	35,208,979	$5,260,000	29,948,979	14.94
1956	29,523,395	3,024,000	26,499,395	10.24
1955	28,143,673	2,780,000	25,363,673	9.88
1954	21,029,684	1,252,000	19,777,648	5.95
1953	18,812,590	367,000	18,445,590	1.95
1952	16,550,361	654,000	15,896,361	3.95
1951	17,369,652	1,073,000	16,296,652	6.17
1950	18,467,607	3,068,000	15,399,607	16.61
1949	14,759,193	375,000	14,384,193	2.54
1948	27,367,252	4,725,000	22,642,252	17.27
1947	17,749,626	2,830,000	14,919,626	15.94
1946	10,130,975	1,275,000	8,855,975	12.59
1945	5,611,770	215,000	5,396,770	3.83

[1] Not available.

Company B

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$4,371,094	$525,000	$3,846,094	12.01
1957	5,392,505	150,000	5,242,505	2.78
1956	6,975,382	1,095,000	5,880,382	15.70
1955	5,975,382	485,000	4,965,220	9.90
1954	3,291,733	38,172	3,253,561	1.16
1953	5,594,074	1,552,500	4,441,574	27.75
1952	4,436,030	669,500	3,766,530	15.09
1951	5,561,770	714,880	4,846,890	12.85
1950	5,709,537	1,023,900	4,685,637	17.93
1949	3,259,928	163,040	3,096,888	5.00
1948	6,295,858	898,900	5,396,958	14.28
1947	4,011,073	1,023,126	2,987,947	25.51
1946	2,089,932	417,000	1,672,932	19.95
1945	2,321,605	205,908	2,115,697	8.87

Company C

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$5,402,894	$481,413	$4,921,481	8.91
1957	5,561,652	640,635	4,921,017	11.52
1956	4,770,495	261,837	4,508,658	5.49
1955	4,826,687	417,388	4,409,299	8.65
1954	4,625,759	336,889	4,288,870	7.28
1953	4,391,404	179,114	4,212,290	4.08
1952	3,588,107	91,660	3,496,447	2.55
1951	3,934,107	399,397	3,534,710	10.15
1950	3,696,584	847,072	2,849,412	22.91
1949	3,373,448	679,553	2,693,895	20.14
1948	4,542,842	982,540	3,560,302	21.63
1947	2,284,109	529,781	1,754,328	23.19
1946	161,816	212	161,604	.13
1945	33,895	256	33,639	.76

Company D

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$156,130	[1] $13,000	$169,130	0
1957	271,515	5,000	266,515	1.84
1956	472,556	35,000	437,556	7.41
1955	549,093	15,000	534,093	2.73
1954	309,405		309,405	
1953	303,453	11,332	292,121	3.73
1952	159,084	25,686	133,398	16.15
1951	415,948	8,234	407,714	1.98
1950	277,514	1,500	276,014	.54
1949	177,187	1,000	176,187	.56
1948	526,061	35,000	491,061	6.65
1947	399,643	52,000	347,643	13.01
1946	139,923	1,000	138,923	.71
1945	140,101	1,500	138,601	1.07

[1] Credit.

Company E

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$8,108,706	$800,000	$7,308,706	9.87
1957	11,303,747	1,600,000	9,703,747	14.15
1956	11,379,241	1,900,000	9,479,241	16.69
1955	8,509,136	1,500,000	7,009,136	17.63
1954	5,320,750		5,320,750	
1953	6,420,968	1,048,000	5,372,968	16.32
1952	5,601,723	1,400,000	4,201,723	24.50
1951	5,866,052	2,000,000	3,866,052	34.09
1950	4,951,476	1,500,000	3,451,476	30.29
1949	4,928,459	1,020,000	3,908,459	20.70
1948	5,766,543	960,000	4,806,543	16.65
1947	3,650,374	600,000	3,050,374	16.44
1946	3,248,813	200,000	3,048,813	6.16

Company F

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$54,865,371	$7,400,000	$47,465,371	13.49
1957	51,273,749	4,550,000	46,723,749	8.87
1956	67,517,000	15,700,000	51,817,000	23.25
1955	56,259,000	9,900,000	46,359,000	17.60
1954	50,383,000	8,700,000	41,683,000	17.27
1953	55,775,000	14,900,000	40,875,000	26.71
1952	52,488,000	14,400,000	38,088,000	27.43
1951	58,593,000	17,300,000	41,293,000	29.53
1950	57,407,000	15,000,000	42,407,000	26.13
1949	46,487,000	10,390,000	36,097,000	22.35
1948	74,080,000	19,863,000	54,217,000	26.81
1947	40,655,000	9,298,000	31,357,000	22.87
1946	22,599,000	3,585,000	19,014,000	15.86
1945	16,371,000	1,228,000	15,143,000	7.50

Company G

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$804,716	$50,000	$754,716	6.21
1957	1,167,546	115,000	1,052,546	9.85
1956	560,753		560,753	
1955	832,765		832,765	
1954	785,624		785,624	
1953	730,699		730,699	
1952	968,287	69,022	899,265	7.13
1951	935,134	137,220	797,914	14.67
1950	892,552	147,275	745,277	16.50
1949	969,991	204,860	765,131	21.12
1948	872,719	150,367	722,352	17.23
1947	654,922	160,452	494,470	24.45
1946	471,923	135,664	336,259	28.75
1945	461,448	180,808	280,640	39.18

Company H

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$1,760,794	0	$1,760,794	0
1957	2,176,226	$160,000	2,016,226	7.35
1956	2,647,058	93,000	2,554,058	3.51
1955	1,994,072	86,000	1,908,072	4.31
1944	2,276,415	238,329	2,038,086	10.47
1953	1,899,343	156,039	1,743,304	8.22
1952	1,998,758	370,291	1,628,467	18.53
1952	1,992,234	411,166	1,581,068	20.64
1950	1,270,271	72,843	1,197,428	5.73

NOTE.—Records available only for last 9 years.

Company I

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958 [1]	$7,076,455	[2] $23,352	$7,099,807	0
1957 [1]	9,079,022	[2] 5,860	9,084,882	0
1957	9,078,922	[3] 5,860	9,084,882	(3)
1956	8,886,172	151,000	8,735,172	1.69
1955	8,106,746	429,075	7,677,671	5.29
1954	6,769,145	196,335	6,572,810	2.90
1953	5,414,053	26,156	5,387,897	.48
1952	5,067,243	410,539	4,656,704	8.10
1951	4,477,673	404	4,477,269	.01
1950	3,456,001	202,087	3,253,914	5.85
1949	2,949,585	72,628	2,876,957	2.46
1948	2,774,079	201,176	2,572,903	7.25
1947	3,172,001	504,487	2,667,514	15.90
1946	755,220	258,488	496,732	34.23
1945	102,860	65,966	368,946	64.13

[1] 12 months ended June 30.
[2] Credit.
[3] Credit taxes.

NOTE.—In total analysis 1956 equals 1957 on this company, etc.

Company J

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$2,950,700	$90,000	$2,860,700	3.05
1957	3,154,900	20,000	3,134,900	.63
1956	3,168,549	75,000	3,093,549	2.37
1955	3,656,274	150,000	3,506,274	4.10
1954	3,570,162	360,000	3,210,162	10.08
1953	3,363,964	500,000	2,863,964	14.86
1952	2,561,162	267,461	2,293,701	10.44
1951	3,971,370	965,230	3,006,140	24.30
1950	2,302,729	519,263	1,783,466	22.55
1949	1,551,586	104,000	1,447,586	6.70
1948	1,344,021	150,000	1,194,021	11.16
1947	1,230,364	50,000	730,364	4.06
1946	409,171		409,171	
1945	328,260		328,260	

Company K

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$14,145,331	$2,300,000	$11,845,331	16.23
1957	17,938,378	3,400,000	14,538,378	18.95
1956	16,316,268	2,500,000	13,816,268	15.32
1955	15,599,264	1,900,000	13,699,264	12.18
1954	11,541,464	1,278,154	10,263,310	10.01
1953	11,762,519	1,590,080	10,172,439	13.52
1952	9,218,224	1,875,000	7,343,224	20.34
1951	10,327,002	2,400,000	7,927,002	23.24
1950	8,723,484	2,000,000	6,723,848	22.93
1949	8,716,231	1,800,000	6,916,231	20.65
1948	17,245,547	4,000,000	13,245,547	23.17
1947	9,301,386	2,300,000	7,001,386	24.78
1946	5,321,560	1,010,000	4,311,560	18.93
1945	4,235,097	257,000	3,978,097	6.09

Company L—Liquidated Apr. 11, 1957

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1954	$7,762,785	$1,275,000	$6,485,785	16.42
1953	8,494,844	1,785,000	6,709,844	21.01
1952	7,844,057	1,500,000	6,344,057	19.12
1951	8,553,640	1,500,000	7,053,640	17.54
1950	8,086,702	1,983,000	6,103,702	24.52
1949	7,805,345	1,900,000	5,905,345	24.34
1948	7,512,733	1,726,006	5,786,727	22.97
1947	7,667,536	1,575,000	6,092,536	20.54
1946	5,146,094	1,100,000	4,046,094	21.38
1945	3,209,359	831,500	2,377,859	25.91
1944	3,519,208	1,068,760	2,450,448	30.37

Company M

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$152,543,223	$16,000,000	$136,533,223	10.49
1957	192,910,393	17,000,000	175,910,393	8.81
1956	212,961,000	34,000,000	178,961,000	15.97
1955	215,997,000	41,000,000	174,997,000	18.98
1954	174,803,000	28,500,000	146,303,000	16.30
1953	207,757,854	43,500,000	164,257,854	20.94
1952	175,792,000	30,500,000	145,292,000	14.68
1951	220,981,000	51,500,000	169,481,000	23.30
1950	161,360,000	32,000,000	129,360,000	19.83
1949	138,480,000	18,000,000	120,480,000	13.00
1948	240,069,000	54,000,000	186,069,000	22.49
1947	153,207,000	29,100,000	124,107,000	18.99
1946	79,332,000	7,500,000	71,832,000	9.45
1945	80,395,000	9,500,000	70,895,000	11.82

Company N

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$5,378,973	0	$5,378,973	0
1957 [1]	7,972,558	$1,727,910	6,244,648	21.67
1956	5,378,994	699,000	4,679,994	13.00
1955	2,502,867	18,000	2,484,867	.72
1954	1,603,682	23,923	1,579,759	1.49
1953	3,077,447	4,724	3,072,723	.15
1952	2,334,532	99,844	2,234,688	4.28
1951	1,209,045	31,250	1,177,795	2.58
1950	282,202	49,750	232,452	17.63
1949	1,225,576	6,949	1,218,627	.57
1948	1,395,517	29,053	1,366,464	2.08
1947	359,903	15,000	344,903	4.17
1946	[2] 106,098	200	[2] 106,298	----------
1945	1,537,551	406,500	1,131,051	26.44

[1] 12 months ended June 30.
[2] Deficit.

NOTE.—In totals analysis, 1956=1957 on this company, etc.

Company O

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	(1)	(1)	(1)	----------
1957	$1,573,165	----------	$1,573,165	----------
1956	1,034,094	(2)	1,034,094	----------
1955	1,006,718	(2)	1,006,718	----------
1954	1,690,567	$42,130	1,648,437	2.49
1953	1,873,226	50,000	1,823,226	2.67
1952	1,502,077	40,000	1,462,077	2.66
1951	2,714,277	30,000	2,684,227	1.11
1950	2,692,947	40,000	2,652,947	1.49
1949	3,382,140	42,323	3,382,140	1.25
1948	4,236,057	348,900	3,887,157	8.24
1947	1,517,480	48,919	1,468,561	3.22
1946 [2]	689,609	10,241	679,368	1.51
1945 [2]	664,526	4,103	660,423	.62
1954 [3]	2,205,837	42,130	2,163,707	1.91
1953 [3]	2,600,271	50,000	2,550,271	1.92
1952 [3]	2,202,835	40,000	2,162,835	1.81
1951 [3]	2,623,191	30,000	2,593,191	1.14
1950 [3]	3,744,852	40,000	3,704,852	1.01
1949 [3]	4,158,672	42,322	4,116,350	1.00
1948 [3]	4,353,435	348,900	4,004,535	8.01

[1] Not available.
[2] Not reported.
[3] Figures for 1954-48 restated as result of revision of estimates of recoverable oil and gas reserves.

NOTE.—Company O felt not liable for Federal income tax in this period.

Company P

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$6,135,363	$470,000	$5,765,363	7.66
1957	6,611,110	660,000	5,951,110	9.98
1956	6,277,997	478,000	5,799,997	7.61
1955	6,211,916	470,000	5,741,916	7.56
1954	6,209,385	470,000	5,739,385	7.57
1953	6,761,834	515,000	6,246,834	7.62
1952	7,023,582	540,000	6,483,582	7.69
1951	7,008,444	535,000	6,473,444	7.63
1950	6,616,103	415,000	6,201,103	6.27
1949	4,940,029	270,000	4,670,029	5.47
1948	5,679,055	333,000	5,346,055	5.86
1947	2,827,824	159,000	2,668,824	5.62
1946	2,532,718	151,000	2,381,718	5.96
1945	2,522,301	157,075	2,365,226	6.23

Company Q

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$16,144,274	$3,271,000	$12,873,274	20.26
1957	19,137,735	4,500,000	14,637,735	23.51
1956	10,590,947	2,703,000	7,887,947	25.52
1955	13,034,071	1,852,000	11,182,071	14.21
1954	14,484,813	1,967,000	12,517,813	13.58
1953	12,815,586	1,143,000	11,672,586	8.92
1952	9,570,934	602,000	8,968,934	6.29
1951	8,190,680	385,000	7,805,680	4.70
1950	6,263,638	400,000	5,863,638	6.39
1949	5,183,830	210,000	4,973,830	4.05
1948	7,713,057	407,623	7,305,434	5.28
1947	3,896,936	85,000	3,811,936	2.02
1946	1,614,888	65,000	1,549,888	4.02
1945	997,075	40,000	957,075	4.01

Company R

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$3,620,312	[1] $968,000	$4,588,312	----------
1957	6,908,969	882,000	6,026,969	12.77
1956	10,595,588	2,640,000	7,955,588	24.92
1955	8,052,718	1,164,559	6,888,159	14.46
1954	8,395,561	1,636,500	6,759,061	19.49
1953	11,536,428	3,477,350	8,059,078	30.14
1952	13,532,095	3,884,000	9,648,095	28.70
1951	14,940,795	4,645,000	10,295,795	30.11
1950	10,850,226	2,351,801	8,498,425	21.68
1949	6,470,610	299,023	6,171,587	4.62
1948	8,229,656	1,635,000	6,594,656	19.87
1947	4,773,864	576,444	4,197,420	12.07
1946	2,475,239	370,000	2,105,239	14.95
1945	1,983,259	252,500	1,730,759	10.27

[1] Credit.

Company S

Year [1]	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958 [1]	$3,337,324	[2] $236,642	$3,100,682	7.09
1957 [1]	4,712,841	330,000	4,382,841	7.00
1957	4,712,841	330,000	4,382,841	7.02
1956	4,060,789	260,000	3,800,798	6.40
1955	4,284,521	220,000	4,064,521	5.13
1954	5,241,179	43,000	5,198,179	.82
1953	5,525,948	583,000	4,942,948	10.55
1952	5,618,762	1,425,000	4,193,762	25.36

Company S—Continued

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1951	$5,280,578	$964,000	$4,316,578	18.22
1950	2,944,322	191,000	2,753,322	6.42
1949	4,736,153	342,000	4,394,153	7.29
1948	4,213,001	266,000	3,947,001	6.31
1947	3,200,034	160,000	3,040,034	4.99
1946	1,809,404	30,000	1,779,404	1.66

[1] 12 months ended June 30.
[2] Includes credit of $171,642 prior years' tax adjustment, etc.

NOTE.—In total analysis 1956=1957 for this company.

Company T

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$1,011,165	[1] $235,320	$1,246,485	0
1957	701,822	0	701,822	0
1956	949,659	138,000	811,659	14.53
1955	1,385,335	185,000	1,200,335	13.35
1954	542,208	2,500	539,708	4.61
1953	408,107	----------	408,107	----------
1952	431,569	----------	431,569	----------
1951	273,473	----------	273,473	----------
1950	183,116	5,000	178,116	2.73
1949	[1] 6,000	----------	[1] 6,000	----------

[1] Credit.

Company U

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	(1)	(1)	(1)	----------
1957	$11,719,324	$560,482	$11,158,842	4.78
1956	9,568,842	200,000	9,368,842	2.09
1955 [2]	9,340,810	900,000	8,440,810	9.64
1954	7,805,307	335,000	7,470,307	4.29
1953	7,140,132	600,000	6,540,132	8.40
1952	7,715,591	1,000,000	6,715,591	12.96
1951	10,239,600	2,900,000	7,396,000	28.32
1950	7,659,000	1,200,000	6,459,000	15.67
1949	6,656,347	875,000	5,781,347	13.15
1948	9,030,713	2,250,000	6,780,713	24.91
1947	7,191,002	1,250,000	5,941,002	17.38
1946	3,400,586	400,000	3,000,586	11.76

[1] Not available.
[2] Restated to conform with accounting practice effective Jan. 1, 1956—method of charging intangible development costs was changed. 1956 net income would have been $1,470,000 less without such change.

Company V, liquidated

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1954	$4,173,767	----------	$4,173,767	----------
1953	3,951,367	$350,000	3,601,367	8.86
1952	4,414,623	660,000	3,754,623	14.95
1951	3,112,871	----------	3,112,871	----------
1950	1,904,836	526,000	1,378,836	27.61
1949	[1] 592,448	7,500	584,948	1.26
1948	461,640	2,400	459,240	.52
1947	416,506	4,100	512,406	.98
1946	328,052	11,282	316,770	3.44
1946 [2]	176,841	5,250	171,591	2.97
1945 [2]	293,539	6,127	287,412	2.00

[1] Before $653,408 loss on wells abandoned.
[2] 12 months ended Apr. 30. In 1946, the company changed to a calendar year basis so 1946 taxes are shown both ways.

Footnotes at end of table.

Company W

Year [1]	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958 [1]	$16,726,337	[2] $175,000	$16,551,337	1.05
1957 [1]	18,887,389	0	18,877,389	0
1957	18,877,389	----------	18,877,389	----------
1956	5,040,752	----------	[3] 5,040,752	----------
1956 [4]	([5])	----------	([5])	----------
1955	3,395,446	----------	3,395,446	----------
1954	10,260,388	[6] 100,000	10,360,388	([7])
1953	11,500,382	[6] 500,000	12,000,382	([7])
1952	12,100,165	200,000	11,900,165	1.65
1951	15,195,639	1,900,000	13,295,639	12.03
1950	7,128,542	200,000	6,928,542	2.81
1949	7,483,443	200,000	7,283,443	2.67
1948	17,917,474	3,000,000	14,917,474	16.74
1947	5,266,897	400,000	4,866,897	7.59
1946	1,884,156	----------	1,844,156	----------
1945	5,422,254	450,000	4,972,254	8.29

[1] 12 months ended Aug. 31.
[2] Foreign income taxes.
[3] Same for both consolidated and co. only.
[4] Consolidated.
[5] Same.
[6] Credit.
[7] Credit taxes.

NOTE.—In total analysis, 1956-1957 on this company, etc.

Company X

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$4,642,978	$670,023	$3,972,955	14.43
1957	7,670,654	840,709	6,829,945	10.96
1956	6,057,708	400,000	5,657,708	6.60
1955	6,720,029	400,000	6,320,029	5.95
1954	5,245,527	----------	5,245,527	----------
1953	4,470,659	240,000	4,230,659	5.37
1952	3,635,498	450,000	3,185,498	12.38
1951	3,702,765	550,000	3,152,765	14.85
1950	3,770,706	696,200	3,047,506	18.46
1949	4,022,266	640,907	3,831,359	15.93
1948	4,731,952	901,906	3,830,046	19.06
1947	2,940,750	597,621	2,343,129	20.32
1946	1,394,512	163,973	1,230,539	11.75
1945	666,557	----------	666,557	----------

Company Y

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$6,231,481	0	$6,233,481	0
1957	7,802,218	$570,000	7,232,218	7.31
1956	7,859,694	650,000	7,209,694	8.27
1955	8,449,374	500,000	7,949,374	5.92
1954	8,256,034	400,000	7,856,034	4.85
1953	8,874,068	1,275,000	7,599,068	14.37
1952	8,101,335	1,255,000	6,846,335	15.49
1951	8,009,124	1,185,000	6,824,124	14.79
1950	7,047,367	1,050,000	5,907,367	14.89
1949	7,048,753	710,000	6,338,753	10.07
1948	9,186,038	1,725,000	7,461,038	18.78
1947	4,883,907	760,000	4,123,907	15.56
1946	2,428,249	315,000	2,113,249	12.97
1945	1,934,850	175,000	1,759,850	9.04

Company Z

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$2,065,816	0	$2,065,816	0
1957	2,215,290	0	[1] 2,215,290	0
1956[2]	746,447	----------	746,447	----------
1956[3]	1,602,988	----------	1,602,988	----------
1955	1,262,177	----------	1,262,177	----------
1954	1,720,086	----------	1,720,086	----------

Footnotes at end of table.

Company Z—Continued

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1953	$1,508,988	----------	$1,058,988	----------
1952	1,547,048	----------	1,547,048	----------
1951	703,747	----------	703,747	----------
1950	151,488	----------	151,488	----------
1949	154,707	----------	154,707	----------
1948	134,881	----------	134,881	----------

[1] Adjusted.
[2] 7 months ending Dec. 31.
[3] In totals analysis, May 31 ending years used.

NOTE.—Years end May 31 prior to 1957.

Company A–Z

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	$909,982	0	$909,982	0
1957	891,025	0	891,025	0
1956	783,082	----------	783,082	----------
1955	981,994	----------	981,994	----------
1954	647,516	----------	647,516	----------
1953	1,008,416	$80,000	928,416	7.93
1952	768,664	----------	768,664	----------
1951	1,143,004	283,000	860,044	24.76
1950	969,156	264,774	704,382	27.32
1949	394,227	----------	394,227	----------
1948	874,306	173,000	701,306	19.79
1947	655,289	73,000	582,289	11.14
1946	227,789	----------	227,789	----------
1945	322,232	----------	332,232	----------

Company B–Z

Year	Net income before income taxes	Income taxes	Net income after income taxes	Percent of income taxes to income before taxes
1958	[1] $31,647,420	[2] $4,074,902	$33,825,276	----------
1957	35,009,503	[2] 1,827,610	35,669,759	----------

[1] State and foreign income taxes included.
[2] Credit.

Mr. DOUGLAS. Mr. President, I could take company after company and show how they pay only a fraction of what ordinary companies and other persons pay.

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

Mr. DOUGLAS. Yes; I am glad to yield.

Mr. LONG. The Senator well knows we have covered many times before the question I am going to ask him.

Mr. DOUGLAS. Yes; many times.

Mr. LONG. Has the Senator, for the purpose of the record, separated foreign holdings from domestic holdings, because I think that makes a tremendous difference?

Mr. DOUGLAS. No; but my amendment reaches income from foreign as well as domestic holdings, so I am trying to strike at the abuses by such companies as the Arabian-American Oil Co., and its parents. When they bring income back to this country we will be able to reach it through the amendment.

Mr. LONG. I am sure the Senator realizes that unless the amendment is going to do something about some of the foreign operations, he will be doing American companies an injustice.

The Senator knows what happens in Saudi Arabia and a few other countries. The foreign countries simply boost their taxes on American companies to keep those taxes in those countries, by virtue of the fact that the foreign operator gets an actual credit against taxes for anything he has paid the foreign government. The Senator knows what happened in Saudi Arabia. The company in that country was paying a royalty, and that was a deductible item.

There was perhaps $200 million a year income involved in that one transaction, but this was simply transferred over. The royalty was withdrawn, and it was called a tax.

Mr. DOUGLAS. Yes.

Mr. LONG. This country lost $200 million. I believe the Senator will find that with respect to all the foreign holdings, even with regard to the ordinary oil companies, we could be deriving perhaps $500 million a year income, yet we are only deriving about $1 million a year, which comes about by accident, by bookkeeping oversight, simply because the foreign countries are in a position to keep all the money. If the Senator does not touch that part of it he will not meet the problem. That is where the big profits are in the oil business.

Mr. DOUGLAS. That is where some of the big profits are. The amendment is designed to reach most of the evils. Though it does not reach all the evils in connection with the foreign companies, it makes a start. I hope the Senator from Louisiana will not refuse to take nine steps with us simply because we cannot at this moment take the 10th step. That would, as a matter of fact, involve the revision of treaties and the questions of offsets of taxes paid to foreign governments.

Mr. LONG. If the Senator is offering his usual depletion amendment, by which he attempts to do something about the small independent operator, I will say it is not the worst one I have seen. It is better than some.

Mr. DOUGLAS. As I say, it is an extremely moderate proposal. I will also say that if the oil and gas industry does not accept some amendment of this type it may in the future be compelled to take a more rigorous amendment.

In the offing lurks the Senator from Delaware, who wants a straight cut to 15 percent, without graduation. I have also had some trouble holding down the reformers who want to limit the depletion allowance to the original cost of the well itself. This would allow the cost of the well to be written off twice. It would allow them to write off the cost initially and to take the cost again through the depletion allowance. It would cut the total figure to a fraction of what I am proposing. I am the very soul of moderation. [Laughter.]

The oil and gas companies picture me as a fiend incarnate swishing his tail, ready to pounce upon them, when all I am trying to do is to get some element of justice in the tax system. If we do not have such a tax reform the oil and gas companies are likely to have to take something else. I will not forever stand for moderation.

Mr. LONG. Would the Senator be so kind as to explain to us, in view of the kind of tax proposal he has suggested, the difference between depreciation and depletion? I assume, as one who argues this matter repeatedly, the Senator does realize the difference between the two.

Mr. DOUGLAS. Yes.

Mr. LONG. Depreciation would definitely apply to the original investment.

Mr. DOUGLAS. Depreciation would cover the so-called intangible drilling and developmental costs, largely.

Mr. LONG. I have in mind the difference between depreciation and depletion. Perhaps the Senator will explain that, because unfortunately many of those who want to struggle with this problem do not know the difference. In fact, many do not know what depletion is.

Mr. DOUGLAS. I will say that we have here the most rapid form of accelerated depreciation. Virtually all the initial investment can be written off in 1 year. The normal depreciation rate is from 12 to 20 years. We have had accelerated depreciation in certain industries, down to 5 years. Then we have the scale which increases the amount of depreciation in the earlier years and decreases it in later years. But the oil industry, on top of having the most rapid depreciation of any industry, has the 27½-percent depletion allowance.

Mr. LONG. Mr. President, the point I wanted to get at—and I hope the Senator will touch upon it—is this: If a person undertakes to drill a well, the odds are about 9 to 1 against him. Actually, it is 8 to 1, I believe. There are eight dry holes for every producing well. If one is a farmer and thinks there might be oil on his property, even with the best seismographic information available, the odds are that there will be eight dry holes for every discovery, using the best information we can get. If a man is trying to find oil, when the odds are 8 to 1 against him, we can see why we have to find some way to make it possible for the man to drill.

We must compare him to the man who is, let us say, doing business by building a generating plant, or something else. That man knows the plant will generate electricity and supply power. He can depreciate the plant over the life of the investment.

On the other hand, we have to find some way to offset the fact that if a man is drilling a well, the odds are 8 to 1 he will get zero. That will be the last well he will every try to drill, if he is a little fellow drilling his first well.

Mr. DOUGLAS. My good friend knows that the large companies will have a field and will make a number of drillings. With a large number of drillings, the laws of chance and probability are such, particularly when based on sound geology, that not all the drillings will result in dry holes. The company will strike oil as a result of some drillings. Therefore, the company distributes the risk within the number of drillings.

That is the reason the small driller does not have the same chance, and that is why I propose to give the small driller a higher rate of depletion than I would give to the large driller, because he does not have a large number of drillings over which to distribute his risk.

If the Senator will recall his high school days, he will remember reading the "Merchant of Venice." The Senator probably played a part in the "Merchant of Venice," since nearly all of us took parts in productions of the "Merchant of Venice." The Senator will remember that Antonio sent out three ships, and at one time the news came back that all three ships had foundered. It was against the laws of probability that all three ships had foundered. Ultimately, it turned out that none of the ships had foundered.

In a like manner if one has a large number of oil ventures, one can spread the risk and therefore protect himself against the danger of dry holes. The Senator knows that perfectly well. The Senator is a skilled mathematician and a deep student of literature, and he knows all this both on the basis of mathematics and on the basis of literature.

Mr. LONG. My good friend, I fear, is overlooking one very important fact. Let us consider what the Senator has referred to, which is that a large company can spread its risk. In the United States, on the average, 38 percent of all efforts to drill wells are unsuccessful. That includes the proved fields. In other words, if one wants to drill in a field where one has a well the odds are, when one starts to drill, against him. When one gets toward the edge of production, there is a limit to the production. Even in the proved areas one will have a substantial number of dry holes, because one cannot tell where he will run out of the strata of sand where the oil is to be found.

The overall figure is 38 percent. If one compares that figure to the figure for electric plants, with depreciation, he will find there is quite a difference.

The depreciation problem also exists in the oil and gas industry. We have to make some adjustment to allow for the fact that when a person builds a generating plant, if he has a good engineer the plant will generate electricity. However, when any one undertakes to drill a well, even a large company in a position to distribute its risk, 38 percent of the time will find the drilling will be completely unsuccessful. Some of the wells will be marginal wells, in addition to the dry holes, and they will not produce much.

Mr. DOUGLAS. Some of the wells will yield oil and gas.

Mr. LONG. Yes.

Mr. DOUGLAS. On the yield from those wells the cost of the dry holes can be entered as a charge.

Mr. LONG. Yes.

Mr. DOUGLAS. I am not opposed to that.

Mr. LONG. The point I am getting at is that we have to make some adjustment for the fact that in this particular industry, on the average, 38 percent of the ventures are going to be completely unsuccessful. That is different from the situation with regard to building a powerplant.

Mr. DOUGLAS. I am not proposing to abolish the depletion allowance or to prevent the intangible drilling or developmental costs being written off in 1 year. I am not proposing to abolish those features.

Mr. LONG. I understand.

Mr. DOUGLAS. Or the royalty payments.

Mr. LONG. I understand.

Mr. DOUGLAS. Or the capital gains.

Mr. LONG. This is the point I am getting at. If the Senator once recognizes that the problem of depletion in the oil and gas industry is completely different from the problem in the ordinary manufacturing industry, he will realize there is an element of cost which must be accounted for in some respect; whether the allowance is excessive or not is the problem to which the Senator is addressing himself.

Mr. DOUGLAS. That is correct. I am glad, after many years, that this has finally penetrated the mind of the Senator from Louisiana.

Mr. LONG. Yes.

Mr. DOUGLAS. We have been going through this struggle for 9 years, and this is the first time that the Senator from Louisiana has been willing to admit this fact. I congratulate the Senator.

Mr. LONG. If the Senator will make a study of the overall situation, it seems to me the fair way to tax the industry would be to compare it to other industries; for example, to manufacturing industries. I have been referred to a study on the matter. The only study I know of in that respect was made by the Chase National Bank, and it related to domestic industry.

I do not think it is quite fair to heap taxes upon domestic industry, because the foreign producers, who have all the advantages, are making a lot of money. In other words, if we want to raise taxes, it should not necessarily be simply with respect to domestic industry.

Mr. DOUGLAS. I think I dimly see the point to which the Senator is leading, but will he please make it?

Mr. LONG. In a minute I will be through.

The Chase National Bank has made the only study I know of, to compare the profits, after taxes, considering depletion and considering all elements in the oil and gas industry, with profits in the manufacturing industries. The report concluded that, all factors considered, the oil industry, after taxes, was no more profitable than the average manufacturing industry in America after taxes.

Mr. DOUGLAS. I think it is probably somewhat more profitable, but I think one of the chief evils of this system has been that it has led to an undue investment in the oil industry. The tax system has encouraged the uneconomic use of capital in drillings which should not have been undertaken.

I know that is tough medicine for people coming from the oil and gas country to swallow, but I think it has been true. There has been more capital invested

and more capital ventured than there should have been. There are more wells actually in operation than there should be.

In Texas the wells are only running 9 days a month now.

Mr. LONG. Certainly the Senator wants to be fair. He is certainly making an effort, and I admire him for it. I presume the Senator knows that the President set up a Cabinet committee, composed of some top experts in America, to study the defense needs of this country.

After this large Cabinet committee got through studying the problem, its conclusion was that they were not drilling enough wells. Those are the experts who were assigned that responsibility. I am sorry they do not agree with the Senator from Illinois, but that happens to be their business, and they happen to be regarded as the best experts in America on the subject. They employed the best expert advice available.

Mr. DOUGLAS. If we start the defense argument, every industry comes in under the tent.

I remember when a very fine colleague of ours insisted that wooden clothespins were necessary for defense. The defense argument is used on behalf of every industry. However, there is a surplus capacity already existing, certainly in Texas, where they are operating only 9 days a month. Texas is the largest oil-producing State in the Union. The wells there are sealed 21 days in the month.

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

Mr. DOUGLAS. I yield to my good friend, who is one of the finest men in the Senate. His only fault is that he is "off" on the oil question.

Mr. YARBOROUGH. I thank my good friend from Illinois. It is said that a judge always praises a lawyer when he has made up his mind to decide a case against him.

I should like to propound a question to the distinguished Senator from Louisiana through the distinguished Senator from Illinois.

Mr. DOUGLAS. Certainly.

Mr. YARBOROUGH. The distinguished Senator from Illinois has pointed out that the flood of foreign oil imported into this country has closed down oil wells in my State, to the point where they produce only 9 days a month. Last year I introduced a modest bill—and I reintroduced it this year—to levy a tax of 2 cents a gallon on foreign crude oil imported into the United States. That would be about 84 cents a barrel. Would not that raise a large sum of money, well over $100 million a year, to protect the domestic economy? It would not raise the price of gasoline a fraction of a cent to domestic consumers, but it would help to equalize the disadvantageous position in which our domestic capital and labor find themselves by reason of the flood of foreign oil cutting down domestic production to 9 days a month. The foreign oil comes in virtually untaxed. Is not that a fact? I ask that question of the Senator from Louisiana because of his knowledge of the oil industry.

Mr. LONG. Mr. President, may I answer?

Mr. DOUGLAS. Certainly.

Mr. LONG. I believe the Senator from Texas is correct. I do not see how we are going to get any money out of the tremendous profit being made on foreign oil unless we find some way to reach it. Much as I respect the Senator from Illinois, he cannot get at this problem.

Mr. DOUGLAS. Will the Senator from Louisiana please introduce a bill to do it? Instead of sitting on the sidelines shouting at those who try to cope with this question, let him introduce his own bill. I have heard the Senator from Louisiana shout about this question for years. The volcano gives up a great deal of smoke and fire, but there is no action.

Mr. LONG. Who is shouting?

Mr. YOUNG of Ohio. Mr. President, may we have order? There is too much laughter and noise back here from persons who are not Members of the Senate.

The PRESIDING OFFICER. The Senate will be in order.

Mr. DOUGLAS. Will the Senator from Louisiana please continue? The Senator from Illinois will try to speak in a more decorous tone of voice.

Mr. LONG. The only point I had in mind was that the actual capacity of the domestic industry is just about the present consumption of this Nation. That is one reason why imports of foreign oil made such a terrific impact upon the domestic industry.

I believe the Senator's reference to operating days can be somewhat misleading. For example, Texas cannot produce three or four times the amount of oil which that State is now producing. Good conservation practice would allow the pulling of the old wells only at a certain rate. To try to pull them any more rapidly than that would mean only leaving an excessive amount of oil in the ground. The Senator will find that according to good conservation practices, the present capacity of the domestic oil industry is just about equal to the present consumption of oil in the Nation.

Mr. DOUGLAS. The Senator from Illinois does not wish to be diverted too much into side paths, but inasmuch as the Senator from Louisiana has brought up the question of national defense, let me say that I have heard people say that if we want to have an oil supply in wartime, it might be well to draw our peacetime supply from Venezuela and Saudi Arabia, and then have our domestic supply available in the event of war, so that tankers would not run the danger of being torpedoed by submarines. The Senator from Illinois does not necessarily wish to embrace this doctrine, but he suggests to the Senator from Louisiana that it has been advanced by very able people.

Mr. LONG. On one occasion I made a speech lasting about 3 hours, explaining how completely erroneous that argument is. One reason is that if we are to have a man sitting on a well and not producing, he must be subsidized, just as we subsidize the merchant marine to have ships tied up alongside the dock, in order to save the ships against some future time when they may be needed.

No one has seriously suggested subsidizing the oil industry. It would probably cost $1 billion a year to do that. No one would vote for that kind of subsidy. If we are out to get the oil, we must remember that it requires fantastic amounts of steel to drill wells; and when we find ourselves at war we cannot get the steel. The history of all wartime periods has been that anyone who can get a string of pipe can obtain an interest in good leases. The man who has the lease will find that it will expire on him if he does not drill it. He can be induced to accept almost any terms he can get to obtain the pipe. That usually means allowing someone else to come in and obtain the major interest in the lease.

In wartime, it is not possible to get pipe. The requirements for ships, tanks, and guns take priority. If we want oil, and if we want the industry to be available for the emergency, we must have it when the emergency starts.

I have never heard anyone make a serious effort to answer that logic. But certain major oil companies make a great deal of profit from foreign operations. They have a hammer-lock hold on the situation. They would like to make it appear that there is no good reason for producing oil domestically, where they would have to compete with a large number of small producers.

Mr. DOUGLAS. The Senator should remember his own adage of a moment ago. I am not proposing to remove the depletion allowance, but to trim it down, particularly in the case of the larger corporations, and, so far as possible, to get at the depletion allowance taken on foreign oil as well as domestic oil.

This would really give a competitive advantage to the little drillers in whom the Senator from Louisiana and his family have always been interested. I remember that it was the father of the Senator from Louisiana who, I think, first introduced the severance tax on oil in the United States. Frankly, when that was done 30 years ago, I said, "All credit to Huey Long." Incidentally, the severance tax on oil, which was imposed on the big oil companies in Louisiana, was one of the reasons why the big oil companies fought the Senator's father. The Senator knows that.

Mr. LONG. The Senator is most kind to make that statement. The junior Senator from Louisiana played some part in trebling that tax in 1948. I do not believe he had the support of more than a few substantial oil producers of any consequence in the State when he ran for the Senate.

Mr. DOUGLAS. The whole Long family, including the junior Senator from Louisiana, deserves credit on this point. I think they have never received enough credit in this matter from the American people. I am very glad to pay them tribute.

Mr. LONG. So far as this Senator is concerned, the situation was that the money was needed, and those producers were better able to pay it than anyone else.

Mr. DOUGLAS. I am now trying to collect money from those who can afford it, and reduce taxes for those who

cannot afford it. Will not the spirit of the Senator's father, and his own good spirit, cause him to join hands with me?

Mr. LONG. If the Senator will check our severance tax laws, he will find that we are taxing those producers as much as possible. We had to compete with the Federal Government to get revenue from people who were able to pay taxes. If we missed an opportunity to extract revenue from the oil producers in that State, it was not because we did not try.

Mr. DOUGLAS. The California oil operators do not pay a severance tax. A few days ago the Governor of California tried to put through a severance tax. The oil companies fought it. One of the companies is reputed to have used all its efforts to beat the program, and it was defeated.

So if Louisiana is perfect in this matter, help us in Texas, Oklahoma, Kansas, and California. Come over into Macedonia and help us.

Mr. LONG. We are not doing too badly so far as getting revenue from the oil-producing companies in Louisiana is concerned. They start out by paying approximately one-sixth of what they receive as royalty to the State, which owns the land, or to the landowner. In addition, they pay a severance tax amounting to about 25 cents a barrel; and if they have gas they pay an additional tax. By the time we are through taxing them at the State level, we have extracted about 80 cents a barrel, which costs about $3. I am informed that the average cost of producing a barrel of oil is about $2.70.

The actual cost of taxes in the State of Louisiana alone would exceed the cost of producing oil in Saudi Arabia and hauling it half way around the world. I believe the Senator will find that Texas and Mississippi have a way of taxing those companies as much as possible.

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

Mr. DOUGLAS. I yield.

Mr. LAUSCHE. I should like to emphasize the position taken by the Senator from Illinois, that while Louisiana is taking out a great portion of the money derived from the mining and sale of gas and oil, there are States which are not taking out anything. The Senator from Illinois says that California is not taking out anything. Ohio is not taking out anything.

Mr. LONG. I hope the Senator from Ohio is not going to blame Louisiana and Texas for that.

Mr. DOUGLAS. No; but we are saying that Federal power is needed to reach this situation.

Mr. LONG. But the Senator knows, too, that in the State of Illinois, which he in part represents with great dignity and effectiveness, as well as in the State of Ohio and the State of Indiana, those people do not have many large wells.

Mr. DOUGLAS. That is true.

Mr. LONG. They are marginal operators. Sometimes a man will operate a thousand wells and after he gets through paying his expenses, not make as much money doing it as the Senator's administrative assistant.

Mr. DOUGLAS. What is the Senator suggesting? That I am too hard on my administrative assistant?

Mr. LONG. No. If an oil man is a good executive and works hard from morning to night, and after he gets finished, he does not make as much as the Senator's administrative assistant does, he really cannot afford to pay high depletion taxes. If he is making too much money for his efforts, then, of course, he should be taxed.

Mr. DOUGLAS. The small producer is protected under my amendment because if he has a gross income of less than $1 million a year, the 27½ percent can protect him. That applies both in Louisiana and in Illinois.

Mr. LONG. The Senator recognizes the fairness to the small producers in his State or in Ohio, because as the amendment is drawn, nobody would be affected by it in those States.

Mr. DOUGLAS. No; there are some large companies which would be affected by this amendment. The Senator from Illinois is not favoring the small operators in Illinois any more than he is the small operators in any other State. Do not think for a minute that this is a politically easy thing for the Senator from Illinois to do.

Illinois is the eighth largest oil producing State. In one congressional district, the 23rd district, oil is overwhelmingly the largest industry. I have gone into that district, in county seat after county seat, and have stated what I intended to do. I have debated the subject with the representatives of the oil industry. I have debated it with representatives of the large companies. I am ready to do it again. I think the voters understand the issue and in the main support me for my stand.

Mr. LONG. The junior senator from Louisiana went to Indiana a while back and made a speech to the Tri-State Area Producers of Oil. They included the Illinois producers. They were the so-called independent producers of oil. I believe they included the vast majority of the producers in that area. No one in that group had any ill will toward the Senator from Illinois, because none of them was worried about his proposal touching them at all.

Mr. DOUGLAS. Contrary to any impression which may exist, I do not glory in making enemies. But I repeat: We do not protect the small producers in Illinois any more than we do in any other State. I know that the large companies from Louisiana, Texas, and other States come to Illinois and try to whip up the feeling of the little fellows against the Senators from Illinois, and they are successful in a certain percentage of cases, on the ground that oil men will stick together.

Mr. LONG. That was not my experience. My experience was that the oil and gas people in the State of the Senator from Illinois say that they cannot see how his proposal would hurt them.

Mr. DOUGLAS. Illinois is in that area. A number of the largest companies are there. They would get hurt by this proposal.

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

Mr. DOUGLAS. I yield.

Mr. MONRONEY. For the purpose of the RECORD, will the Senator inform the Senate the percentage of tax imposed by the State of Illinois on oil and gas production?

Mr. DOUGLAS. There is no State tax.

Mr. MONRONEY. I understood the Senator to say that California and other States defeated efforts to enact taxes on petroleum production. I wondered if the government of Illinois or those who advocated such a tax have ever proposed one there.

Mr. DOUGLAS. The Senator from Illinois is not the Governor of Illinois.

Mr. MONRONEY. The Senator is a political leader in Illinois. I wondered if the State had been unsuccessful in raising revenues by severance taxes such as are used in other States.

Mr. DOUGLAS. I have never held a State office in my life. I have troubles enough with my national office.

Since the Senator from Oklahoma has raised this question, I will ask him, Why did he not keep Oklahoma a dry State? Why did he permit it to go wet? The real answer is, of course, that that was none of his business. That is a good enough answer. Except as a citizen it is none of my immediate responsibility what the State government of Illinois does. As a matter of fact, for 19 years, with the exception of 4 years when Adlai Stevenson was Governor, Illinois has had Republican Governors. What can we expect of Republican Governors? If the Senator from Oklahoma would help us elect a Democratic Governor in 1960, possibly we could do a little better.

Mr. MONRONEY. Perhaps I misunderstood the Senator. I thought he was critical, at a point earlier in the colloquy, of the fact that other States had not had the courage to tax oil.

Mr. DOUGLAS. No. I was paying a deserved tribute to the Long family. The father of the junior Senator from Louisiana has been unjustly criticized, I think, in some respects because of the fact that he was the first man in the United States who had the courage to propose a severance tax on the production of oil inside Louisiana. I think he was the first man to use that revenue for the purpose of education, the construction of highways, and the improvement of health. That is something of which I think American history should take cognizance.

Mr. LONG. Mr. President, while I appreciate that kind reference to my father, I do not believe it would be quite fair to say that he was the first one to do that.

Mr. DOUGLAS. Was he not almost the first?

Mr. LONG. He was one of the early advocates of that type of tax; but such a tax was enacted prior to the time he became Governor of the State. However, from the time he entered public life, he strongly advocated the imposition of that type of tax. He was a consistent

advocate of it and made life rather unpleasant for the Governors who preceded him in that office and who failed to place that tax at a level he thought appropriate.

Mr. DOUGLAS. Mr. President, as so often happens when we start discussing a subject, we get off into other kinds of topics.

AMENDMENT NOT PUNITIVE

I emphasize that my amendment is not a punitive one. First, it does not do away with the depletion allowance altogether. Certainly not. Second, it would not affect at all some wildcat driller or producer, except to his competitive advantage. In fact, my amendment is so written that a small royalty holder would not be affected.

The big oil companies throughout Illinois scattered literature stating that what I propose to do was to diminish the royalty payments of the farmers. That is not true. The royalty payments would continue at the rate of approximately one-eighth of the yield.

The individual landowner would take his oil depletion allowance on that. Since the amount would be less than a million dollars, he would get a 27½ percent depletion allowance. So this amendment will not affect the landowner, farmer, leaseholder, or royalty receiver. I think this should be known.

But the amendment is written in such a way that depletion taken on foreign assets by American companies would be reduced on the same sliding-scale principle as would apply to domestic companies.

The reason for making a graduated reduction in the amendment is that drilling for oil and gas, as the Senator from Louisiana has stated, involves some risk, probably. But only a fraction of the wells which are drilled actually produce oil and gas. The small driller, with only a few wells over which to spread this risk, does not have enough wells to assure that he will hit 1 in 6, 7, 8, or 9. Consequently, without a great number of wells over which to spread the risk, he takes a greater risk than the large driller, who will average 1 in 9 successful wells if he drills 100 or 200 wells a year. These are discovery wells, not development wells. Therefore, my amendment reflects the greater risk for the small operator and permits a 27½ percent depletion allowance to be taken by him.

A year ago, the Treasury estimated that the adoption of this amendment would result in a net revenue increase to the Federal Treasury of from $305 to $310 million a year. That was the increased revenue from domestic operations only. Another $90 million should, as I have said, be added for foreign depletion. In other words, my amendment will produce at least $400 million revenue annually.

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

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. Once again, I think the Senator from Illinois is being conservative and modest in making his estimates. The oil depletion allowance which has been taken by American corporations, as I understand, has increased very greatly over the past 12 or 13 years. The figures I have from the Treasury show that, in 1946, $800 million was taken. In 1947, the amount was $1,210 million. In 1956, the figure was $2,800 million. So the amount has been increasing at an extremely rapid rate—$200 million, $300 million, or $400 million a year. So the estimates based on last year are likely, by the time this amendment takes effect, to be extremely conservative.

Mr. DOUGLAS. I thank the Senator from Wisconsin.

I wish to make one final point clear. I address myself to the Senator from Oklahoma. The Senator from Oklahoma has shown an interest in the question whether a severance tax is imposed in Illinois. Do I understand that Oklahoma has an income tax?

Mr. MONRONEY. It does.

Mr. DOUGLAS. In the State income tax, is depletion limited to the amount of the investment?

Mr. MONRONEY. We have a depletion tax which, I believe, operates on the same basis as the Federal tax.

Mr. DOUGLAS. Is not the total limited to the amount of the investment?

Mr. MONRONEY. Unfortunately, I do not have any oil or gas production. I am completely unfamiliar with that, so far as my own personal experience is concerned. However, my feeling is that Oklahoma's tax is on the basis of the Federal tax, aside from the fact that we allow, I believe, a 20 percent depletion.

Mr. DOUGLAS. Not a 27½ percent allowance?

Mr. MONRONEY. It is 20 percent. But Oklahoma has a 5 percent gross production tax, which is a much heavier tax than that difference.

Mr. DOUGLAS. Is it true that under the depletion allowance, that cannot exceed the cost of the investment in the well?

Mr. MONRONEY. As I have stated, I am not familiar with that, because I have never made out an income tax return on oil operations, because I do not have any ownership in oil operations.

But my impression is that it is on the basis as in Federal law with a maximum of half of the net income, and I am certain that it allows for the intangible drilling costs, the same as the Federal law does.

Mr. DOUGLAS. I am informed on reliable authority—although I do not have definite proof at hand—that in Oklahoma the depletion allowance under the State income tax is limited to the amount of the investment. If that is true, that is a degree of severity, applied in Oklahoma, which I would not urge be applied in the United States—although if this discussion continues much longer, I may be tempted to propose that that be done.

Mr. MONRONEY. I deeply regret that I do not have those figures, but perhaps later I shall be able to find authorities who can supply me with that information.

But at the moment I feel that the Senator's assumption is inaccurate.

Mr. PROXMIRE. Mr. President, will the Senator from Illinois yield to me?

The PRESIDING OFFICER (Mr. BARTLETT in the chair). Does the Senator from Illinois yield to the Senator from Wisconsin?

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. The Senator from Illinois has made his usual masterful and extremely impressive and persuasive presentation.

One of the points which has been brought out in opposition to the amendment proposed by the Senator from Illinois is the allegation that the depletion allowance is necessary because of the risk involved in the industry. However, according to Dun's Review, the figures for 1953 and 1954—the last period for which figures are available—show profits for these companies for every year.

Mr. DOUGLAS. In fact, I have never noticed that Texas and Oklahoma oil millionaires act as though they were indigent.

Mr. PROXMIRE. If we are looking for persons who are engaged in a business that involves risk, we should consider the retail merchants, for certainly they deserve some tax relief if relief is to be given on that basis. Victor LeBow, an outstanding marketing consultant, told us, only last year, that the chances of survival of a new retail store for the first 6 months are about 5 out of 6; for the first 2½ years, approximately 50–50; and for 10 years, about 1 out of 4.

Mr. DOUGLAS. In other words, the end of almost every merchant is a tragedy.

Mr. PROXMIRE. Exactly.

I believe one other point should be made. I am sure the Senator from Illinois is aware of it. I hesitate to make it; but I think it relates to a moral issue, and I believe it should be called again to the attention of the Senate: Every time this proposal is brought up, I, for one, believe that I must point out that it involves a moral issue, because many persons believe that the oil industry is politically untouchable; that it has such power in the Congress, such power in high places throughout the country, that it is impossible for the Senate to oppose the industry successfully.

I have probably talked to as many people in my State of Wisconsin as has anyone. I have campaigned for State office five times in the last 6 or 7 years. I find that this is one issue which almost everyone understands, and which in the judgment of most of the people of Wisconsin is the No. 1 moral issue in American politics.

I wish to call the attention of the Senator from Illinois to the fact that on the basis of the general election study made by the Gore committee, the most famous oil family in America, the Rockefeller family, gave $152,000 to Republican candidates in 1956.

Mr. DOUGLAS. And in 1958 their contributions were somewhat larger.

Mr. PROXMIRE. And I imagine that in 1960 they may be even larger.

The Mellon family gave $100,000.

The American Petroleum Institute's officers and directors contributed $171,750—all to the Republican Party.

Incidentally, the contributions by the officers and directors of the American Petroleum Institute were more than double those of the officials of the National Association of Manufacturers, and were more than four times those of the officials of the American Iron and Steel Institute, according to figures filed with the Clerk of the House of Representatives.

Contributions of $500 or over by officials of the largest oil companies totaled $344,000 to the GOP and, incidentally, only $14,000 to the Democrats; 24 of the 29 largest corporations had officials who gave $500 or more. The largest contributing company was the Sun Oil Co., which donated $104,000, the bulk of which came from Mr. and Mrs. Howard Pew, of Philadelphia, and Joseph Pew, also of Philadelphia.

By contrast, only 18 labor officials were found to contribute more than $500; and that total was only about $19,000.

This matter is one of sheer political power, in addition to being a matter of moral justice and economic justice. Anyone who considers all the facts, and remembers what the Republican national committeeman for Texas attempted to do recently for a distinguished gentleman from Washington, who in the judgment of the Republican national committeeman for Texas had served the oil industry very well—I think that anyone who considers that whole very bad record and immoral record—recognizes that the Senate is up against a moral test when it votes on the oil depletion allowance, particularly when there is before the Senate such a modest, moderate, and fair proposal.

Mr. DOUGLAS. Let me say that I am ready to have a rollcall vote, a yea-and-nay vote, taken on this amendment so far as I am concerned; I am ready to stand up and be counted, even though a large number of those who voted with us last year are absent from the Senate on official business, many in connection with the St. Lawrence Seaway celebration. These and others include the Senator from Vermont [Mr. AIKEN], the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Wisconsin [Mr. WILEY].

Mr. PROXMIRE. I should like to point out that, as the Senator from Illinois has indicated, not everyone in the oil industry feels that this amendment is an improper one.

For instance, I hold in my hand an article about Jack Coughlin, of Minot, N. Dak. He is an independent marketer of western oil, and is a vice president of the National Oil Marketers Association. In testifying in regard to the amendment which I submitted last year, which was the same as the amendment the Senator from Illinois has submitted this year, Mr. Coughlin argued very fervently for adoption of the amendment, and stated—just as the Senator from Illinois is saying now—that this amendment is what the oil industry should buy; that the amendment is the sort of moderate, fair proposal which will work fairly, and will not work any injustice.

Mr. DOUGLAS. I thank the Senator from Wisconsin. I certainly believe that is the case.

Let me point out that, of course, the political contributions which have been discovered by the Gore subcommittee were only a fraction of the total contributions.

Mr. PROXMIRE. Certainly so.

Mr. DOUGLAS. Because considerable amounts of contributions were made under the table, and printing bills were assumed, and various other types of expenditures were assumed or paid.

So, today, the oil industry is what the railways were in the eighties; today, the oil industry believes it can control Governors, legislators, Congressmen, Senators, and Presidents, and that it is immune from proper taxation.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the article to which I have referred be printed at this point in the RECORD.

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

SHOULD THE DEPLETION ALLOWANCE BE CUT?

("Yes," says Jack Coughlin, Minot, N. Dak., independent. A marketer who "integrated backward" into refining and production, Coughlin says he'll still produce—and profitably—if the depletion provision of the tax code is reduced. Coughlin, 39, is a vice president of National Oil Marketers Association.)

I'd like to point out that I wear two shirts. One, I'm an oil marketer competing against tax-privileged competitors. Two, I'm personally interested in oil production, and I'm firmly convinced that my company—Westland Oil—in time must have at least some of its own production.

I like to be a good fellow in the oil fraternity. Therefore, I have a self-serving interest in preserving the status quo of the depletion allowance. I assure you that I have studied the arguments for depletion with a selfish hope that somewhere I could find at least a neutral ground on which to stand.

I can only report that the more I studied the question, the more convinced I became that depletion is unjustified.

Some 33 years ago, when the 27½ percent depletion allowance was established by law, it was determined—on the basis of what its proponents call "extremely careful and scientific explanation and testimony"—that a 27½ percent allowance would permit a proper and adequate incentive for the oil industry. The corporate tax at the time was 13 percent.

Significantly, the value of the depletion allowance to any corporation depends on the corporate income tax. To put it another way, the value of the depletion allowance would be zero if corporate income tax were eliminated. However, since 1926 the corporate tax rate—instead of being reduced—has been quadrupled to 52 percent. Consequently the value of the depletion allowance and drilling chargeoffs has increased 400 percent—not to mention the benefits on crude price increases.

The oil industry claims, and rightfully, that it is entitled to regain its capital investment the same as other businesses. However, I would like to point out the rarely mentioned fact that in addition to the highly favorable depletion allowance, oil producers can immediately deduct for tax purposes a substantial part of their outlays for drilling and development. The amounts of capital investment thus written off at the outset have no effect on the future percentage depletion deductions. This results in a double deduction with respect to the same capital investment.

Naturally, if I drill a dry hole I can charge it off as a current expense. But here is the businessman's dream: If I bring in a producing well, I am permitted by special act of Congress to charge off the same year all my intangible drilling and development costs. Intangible costs include seismographing, drilling, labor, muds, and cement—in fact, everything except tubing, storage tanks, a small amount of pipe, and a pump, if necessary. And these last tangible items can be depreciated like any other capital asset.

When you build a building, or any income-producing property, you are obliged to set up all your labor costs, architectural fees, legal fees, materials, and costs of financing, to be depreciated over the life of the property. Only the oil industry enjoys a special chargeoff privilege, and in addition is still given a 27½ percent depletion allowance. The value of the chargeoff privilege has been estimated by competent experts to be almost as great as the depletion allowance itself.

Now let's look at some of the more popular arguments for depletion.

First, the one the public hears most often is the statement that eight of nine holes are dry. Some depletion proponents will state that the ratio applies to wildcats, but a good many don't, leaving the inference that it applies to all wells.

At no time have I heard the full story when discussing depletion. Here it is:

According to the Oil & Gas Journal, we find that there were 11,739 wildcat wells drilled in 1957, of which 1,652 were successful and 10,087 were dry. These are the eight out of nine you hear about, and I don't think I have to dwell on the importance of a successful wildcat.

However, there were 41,038 additional development wells drilled, of which 30,424 were producers. In other words, out of 52,777 wells drilled, we had 32,076 successful wells and 20,701 dry holes—or a ratio of more than one and a half producers to each dry hole.

Another argument advanced for depletion is that exploration and drilling would otherwise decline to the point where we would endanger our national security. This would seem to be off base on two counts.

For one thing, just about everyone admits that the next war, if there is one, will be over in a matter of hours or days.

Second, since the 1930's we've had such a surplus of domestic production that two measures were taken to curtail it—namely the Oil Compact Commission, to prorate oil by States through daily allowables, and the Connally Hot Oil Act. It seems contradictory to have tax subsidies in the form of depletion allowances and chargeoffs encouraging production, while on the other hand restricting wells to 10 days' production.

Equally contradictory seems the argument that the recently imposed import restrictions are being beneficial to national defense. It means we'll be using up our own national resources at a time when—for obvious social and political reasons—we should keep Middle East oil producers operating and encourage our Canadian friends as well.

Still another argument for depletion is that without it, the price of gasoline would increase as much as 3 cents or more.

First of all, that statement should defeat itself because it is threatening by implication. Let's forget the threat and look at it realistically.

Businesses don't pass on their advantages to the customer. A manufacturing plant or a refinery with a favorable geographical location doesn't lower its price by the amount of freight saved. Neither does a business

that cuts costs by being efficient, or a cooperative because it buys at a savings.

Business is not a philanthropy, and any retained profits it realizes through tax privileges are returned to stockholders or used for expansion.

Yet oil says it needs these tax privileges to keep an important industry healthy. I say no industry or group grows healthy on subsidies. Subsidies favor the certain few who least need them. Depletion allowance, drilling chargeoffs, proration of oil to or below market demand, transportation profits from pipelines or tankships, and fast tax writeoffs for so-called emergency facilities have removed the financial risk of integrated oil companies, so that they can be said to operate in a preferred class.

The only competition left in the oil industry is in a few remote places where there are some hardy independent refiners left, or where a couple of dealers or jobbers get into a local disagreement and try to prove who has the longest pocketbook. But even these remnants of a once hardy, competitive industry are fast disappearing. Dealers are becoming more and more the employees of the major oil companies. Wholesalers cannot operate unless they sign up.

Little wonder the Senate small business subcommittee found that "the petroleum industry can be set down as definitely a monopoly." By no stretch of the imagination can a monopolistic industry be a healthy one.

As late as 1916, in legislating on depletion, Congress included safeguards against evasion beyond full recovery of cost, by declaring: "That when the allowance authorized shall equal the capital originally invested, or, in the case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made."

That should have remained the basis for depletion in the oil industry—a method whereby a taxpayer in the natural resource industries avoided paying taxes on capital, and yet contributed its fair share of taxes on income.

But here's what happened. The first error occurred in 1918, when Congress provided for "discovery depletion" or the use of "discovery value" for computing the capital investment, rather than the actual investment. From this inflated value after discovery of oil, gas, or minerals, the depletion could thereafter be computed. Under this method, when an oil or gas well was brought in, an engineering concept of the amount of oil that would be produced was set up on the books, and thereafter this became the so-called capital subject to depletion.

Following this first error in 1918, Congress in 1926 abandoned the "discovery depletion" principle. The principle was bad enough in itself, yet at least it provided an incentive bonus to the wildcatter. The tax laws since 1926 have authorized an oil or gas company to deduct 27½ percent from the gross income from any property producing oil or gas. This 27½ percent deduction is computed as a percentage of income from each property without regard to the amount of the investment or the amount of prior depletion deductions. One saving condition was attached: namely, that in no case may the deduction exceed 50 percent of the income from the property—something that doesn't happen very often.

Obviously, over the life of an oil well or gas-producing property the depletion allowance will not only exceed the investment or cost, but will go on and on without limitation of time or value.

There have been many suggestions advanced to correct or alleviate the inequities of these tax privileges. They range from true depreciation, to "discovery depletion" for the wildcatter, to divorcement of the oil industry to prevent subsidizing refining and marketing losses with depletion benefits, to a change in the present structure of the allowance—specifically, a graduated reduction to 15 percent.

While true depreciation may be the fair and ideal basis, the realist in me says it's too big a step. My personal belief is that some time in the near future, the Senate will pass a reduction based on a bill similar to the Proxmire amendment of last year.

Briefly stated, the Proxmire amendment would amend the present law three ways: (1) To allow the present 27½ percent depletion on gross income up to $1 million; (2) to reduce the depletion rate to 21 percent on income from $1 million to $5 million; (3) to reduce the depletion rate to 15 percent on income over $5 million. The drilling chargeoff privilege would not be changed. Oil companies would be allowed to write off 10 times the cost of their investment as compared to depreciation, based on figures from a recent presidential commission.

That's what I see ahead for the depletion allowance, and I think it's a good thing.

("No," says Samuel H. Elliott, Standard Oil Co., Ohio's newly appointed vice president for exploration and production. Elliott, 57, joined Sohio in 1929 in its business research department. He has been vice president for transportation and for marketing and is a director. He is also active in American Petroleum Institute.)

The job of a marketer is to give service to others at a profit to himself. The lower the price he can afford to charge, the better he serves. The lower the price he has to pay for his products, the higher his profits.

Why, then, should marketers concern themselves with depletion of crude oil when their interest at best is indirect, their knowledge of the subject sketchy, and the effect of any change on them a long way off? The reasons for our interest, therefore, are not simple. They are complex. But they are also important.

Certainly one of the reasons for marketers to be concerned with the subject is that some members of the fraternity are saying integrated companies subsidize marketing operations with the depletion allowance.

Others are taking advantage of the present furor over the subject to use it as a sort of polite or impolite "blackmail" to gain concessions of one kind or another. (Recently, according to Petroleum Week, the Nation's two largest maritime unions have come out in favor of a reduction in the depletion allowance, ostensibly to force oil companies owning tankers to change their registry in accordance with union preference.)

Another reason for our interest is that changes in the rate of depletion allowed for tax purposes will, as I hope to show, inevitably affect prices and availability of products—and will, therefore, produce changes in competitive relationships within the industry.

The depletion allowance is simply a device to permit an owner of crude oil in the ground to recover the value of this capital asset. A basic premise of tax laws is that business shall be allowed to recover the capital invested in profit-producing assets before any taxes are levied on earnings.

In the case of most business assets, such as buildings, and machinery, their cost or value is easily determined. Even in the case of in-the-ground crude oil purchased from another party, the cost is known and thereby establishes a value upon which depletion can be taken.

The rub comes in determining the value of crude oil already discovered, which usually has a value in excess of the cost of finding it. This is where percentage depletion applies, and the whole question revolves around the justice or adequacy of that percentage.

For 33 years this percentage has been 27½ percent of the well price of oil produced from any given property, provided that this is no more than 50 percent of the net income from the property. It is here that the problem begins to become complicated.

For our purposes, however, it is sufficient to say that the 27½ percent is a maximum figure; and because of the restrictions on its application, that the average depletion allowance is considerably less. Actually it has been determined to be about 23 percent.

It might be argued that the depletion allowance for oil is too high because the allowance for sulfur is only 23 percent, for metals 15 percent, and for coal 10 percent. But Congress, in establishing allowances for the several extractive industries, gave weight to, among other things, the value of the product above ground as compared with its value in place.

In the case of coal, for example, reserves in the ground typically have a value of 10 percent or less of the above-ground market price. Hence a depletion allowance of 10 percent on, say, $4 a ton would allow the owner to recover 40 cents per ton as a return of his capital free of any income taxes.

In the case of crude oil, domestic reserves have a value typically about one-third of the market price above ground. Hence it would seem that with a wellhead price of $3 a barrel and a value in the ground of $1 a barrel, the depletion allowance might well be 33⅓ percent instead of 27½ percent in order for the owner to recover his capital free of taxes.

But logic goes out the window when we hear of a wildcatter accidentally discovering an east Texas field with a reserve of 2 or 3 billion barrels, or of a major company scientifically selecting a location and drilling into 100 million barrels of reserves.

The catch is that there is no other field like east Texas, that only two fields of as much as 100 million barrels have been found in this country since 1952, and that only about 1 wildcat well in 10 discovers oil.

To argue that the depletion allowance provides a source of income with which to subsidize unprofitable marketing operations suggests either that the arguer has missed the relevant facts, or that by opposing the oil producers and integrated companies, some advantage can be gained.

As to the facts, one need go no further than the study of C. C. Anderson, chief petroleum engineer of the U.S. Bureau of Mines, presented at the recent World Power Conference in Montreal. It shows that total expenditures for finding, developing, and producing crude oil and gas have increased from $3.9 billion in 1948 to $7.1 billion in 1955, while the value of the oil and gas produced increased from $4.8 billion to only $6.7 billion.

This resulted in an actual deficit for the finding and producing segment of the industry amounting to $400 million in 1955. In that year, finding costs alone were $2.3 billion.

Even if the maximum depletion allowance of 27½ percent, rather than the average of 23 percent, was applied to the $6.7 billion value of the crude oil and gas produced, it would have generated only $1.8 billion, or half a billion dollars less than the cost of finding oil alone—to say nothing of the developmental expenses.

Circumstances since 1955 would tend to increase rather than decrease the deficit of the depletion allowance to cover the cost of finding oil.

An additional fact to consider is that substantial evidence exists to show that marketing needs no subsidy. A number of companies have entered the oil business by way of marketing, acquiring refineries and pipelines and eventually crude oil production.

In such instances, perhaps a case could be made that if any subsidizing was done it was done by the marketing activities—subsidizing production.

Perhaps most convincing, however, is the growth of private-brand marketing, which, as every marketer knows, is vigorously expanding and obviously without subsidy of any kind.

It would seem that such evidence provides a reasonable basis for accepting the statements of integrated companies that their marketing operations are conducted at a profit and are, therefore, in no need of subsidy from the depletion allowance or from any other source.

Relating to the fairness of the present depletion allowance, what would be the effects of reducing it? Some say only the independent producers (who, incidentally, drill most of the wildcat wells) would be hurt and would begin selling out to the majors; others that by thus reducing the attractiveness of searching for oil, less oil would be discovered and our dependence on foreign supplies would increase; still others that the integrated companies would simply make less money, a change which they could well afford.

No one knows precisely what would happen, but there can be little doubt that profound changes would occur that would gradually affect all segments of the oil industry, the industries which supply and are supplied by the oil industry, and eventually of course, that little guy who takes the brunt of everything—the consumer.

As marketers we should face up to the inevitability of increased prices as a result of a reduction or elimination of the depletion allowance. Surely no one will quarrel with the proposition that in the long run, prices must cover all costs, including the cost of capital.

If the depletion allowance is reduced, income taxes will be increased. Income taxes are a cost the same as any other taxes.

This is not to argue that if costs go up today because of a wage increase, prices can be raised tomorrow. Prices are the result of the relationship between supply and demand, but it is not necessary here to examine in detail the factors that would force an adjustment in the supply resulting in increased prices. It is sufficient to remind ourselves that the return on investment in the oil business must be adequate to attract capital; that if this fails to be the case, expansion will cease, supplies will diminish relative to demand, and prices will rise.

Several studies have been made showing that over a long period of years the percent return on net assets of oil companies is comparable with, though somewhat less than, that of manufacturing companies generally.

It seems clear, therefore, that increased costs resulting from a reduction in the depletion allowance will result in increased prices.

Perhaps, however, we might take the comfortable position that rising demand will solve the problem. What difference does it make to the marketer if he sells a little less but gets a higher price? Calculations have been made showing that increase in prices, depending on the assumptions made, would be on the order of 1½ cents to 3 cents a gallon on light products.

It may not be idle to speculate what effect such changes would have where heating oil is competing with coal, gas and electricity, or the effect on consumption of gasoline if added to rising gasoline taxes. Last year, for example, the sale of small foreign cars increased by 80 percent while the sale of domestic makes was declining by 26 percent.

There are some who say that prices need not rise; that oil imported from overseas should be allowed to flow freely into domestic markets and thereby keep prices at current levels or lower. From the viewpoint of a theoretical economist, the argument is appealing.

Such a viewpoint, however, is of little validity when considering the desirability of keeping the oil industry healthy in times of peace or the necessity of ample domestic reserves in time of war. Furthermore, the question has been settled for us by the imposition of compulsory import controls as a part of our national policy.

The contributions of the oil industry to higher standards of living in times of peace and to victory in times of war need no elaboration here. It might have performed adequately with a different depletion allowance, but that is something we will never know.

What we do know is that its impressive accomplishments were achieved with the present depletion allowance unchanged for 33 years.

Mr. LONG. Mr. President, at this point, will the Senator from Illinois yield to me?

Mr. DOUGLAS. I am glad to yield to the Senator from Louisiana.

Mr. LONG. I should like to have the privilege of differing about the alleged corrupting power of the oil and gas industry.

Louisiana produces more oil and gas, for the size of the State, than does any other State in the entire Nation. Louisiana is regarded as a rather high tax State, and approximately 40 percent of all the State's revenues are at present derived from oil and gas producers. That terrifically large tax exceeds, so far as I know, any tax imposed by any other State in the Nation. For example, I would say it exceeds by 50 percent the tax rate in Texas.

Members of my family helped bring about that situation, and I helped do it.

Mr. DOUGLAS. That is correct; and all honor to the Senator from Louisiana.

Mr. LONG. I wish to say that in my campaigns, I have been supported by a number of gas and oil people whose companies I helped to tax. Some of them have been among the largest contributors to campaigns which I personally have made, but they have not asked for a single commitment by me or a single favor. Certainly I must respect a man who helps contribute to a campaign by me, when I have helped impose such a large tax on his company.

Mr. PROXMIRE. Mr. President, let me say that what I said in no way should be construed by anyone as impugning the integrity of any Senator.

The fact is that I have the greatest admiration, respect, and affection for the Senator from Louisiana [Mr. LONG], the Senator from Texas, and the Senator from Oklahoma. They are among the finest Members of the Senate. They are men of complete honesty; and nothing I said should be construed by anyone to cast any aspersion on their integrity, decency, or honor.

Mr. LONG. But I should like to make clear——

Mr. DOUGLAS. Mr. President, I have a retort courteous which I think will calm down my friend. It is that the Senator from Louisiana is gifted with such a marvelous personality and with such expansive friendliness that even those whom he may hurt economically become his strongest supporters. [Laughter.]

But for those of us who do not have the same gifts that he has, and are not able to charm others, and who have an unlovely exterior and a harsh manner, we are not able to overcome these difficulties. We do not have the well-known Texas-Louisiana-Oklahoma charm. So we suffer under these disabilities. [Laughter.]

Mr. LONG. Mr. President, I should like to make this matter clear.

In the first place, the Senator from Wisconsin did not say anything to impugn my honor or my motives; and I do not interpret his remarks in that way at all.

But as one who knows many of these people very well, I wish to state that it has been my impression that these are good, honorable, decent business folk, just like anyone else, and that they probably are not too proud of some of their element, just as that is true of every other group in the business world.

But I wish to say that these people have a right to make legitimate campaign contributions and to vote for whatever candidate they believe would be on their side.

Many Americans vote for candidates whom they think would take their side from an economic point of view. For instance, I imagine that a considerable number of grandmothers have voted for me because I have submitted an amendment to increase the old age pensions. [Laughter.]

Mr. DOUGLAS. I think that is true.

Mr. LONG. Those things work both ways. Sometimes we find one man is for us and another is against us. Some men will contribute to our campaigns. If we cannot find someone who will contribute, and the Senator from Illinois probably has been faced with this problem, we have to spend our own money to run for office.

Mr. DOUGLAS. I will simply say this in conclusion. It is a great abuse, and in the interest of justice, I think we should try to reduce it as rapidly as possible.

This amendment, which received only 8 votes in 1951, and on which in subsequent years we could not even get a yea-and-nay vote, nevertheless received 31 votes last year. Although a good many of our supporters have gone up to the St. Lawrence, either to look at the Queen or to commune with the Canadian Parliament, I am sure that the Members of the Senate will follow their consciences. I regret that many of those who supported us last year are absent and a number of the new Members who would be with us are not here.

Mr. President, I yield the floor.

Mr. MONRONEY. Mr. President, I am sure we have all enjoyed the scintillating and sparkling statement on oil and gas we have heard from the distinguished senior Senator from Illinois. I have had occasion to check the question he raised, and am advised that the depletion law in Oklahoma is on all fours with that of the Federal Government, except as to amount. The amount has been 20 percent. The House of Representatives of the State of Oklahoma has just voted to increase it to 27½ percent. I do not know whether the senate has yet acted. So, generally speaking, the law is the same, with the 5 percent severance tax

more than making up the difference in rate from the Federal tax.

In considering this question, we must consider that this proposal is beamed at taxation on one industry. This amendment is not a general tax bill. It does not affect all the depletion allowances, which the distinguished senior Senator from Illinois has talked about. However, the oil industry has been singled out for special treatment as the one to be severely penalized.

It always seems, from speeches made on the floor, that only gas and oil companies are the ones that receive benefits from the depletion allowance, which is 27½ percent for gas and oil. There is a 23 percent depletion allowance on:

(A) Sulfur and uranium; and

(B) If from deposits in the United States—anorthosite (to the extent that alumina and aluminum compounds are extracted therefrom), asbestos, bauxite, beryl, celestite, chromite, corundum, fluorspar, graphite, ilmenite, kyanite, mica, olivine, quartz crystals (radio grade), rutile, block steatite talc, and zircon, and ores of the following metals: antimony, bismuth, cadmium, cobalt, columbium, lead, lithium, manganese, mercury, nickel, platinum and platinum group metals, tantalum, thorium, tin, titanium, tungsten, vanadium, and zinc.

That is all 23 percent.

(3) 15 percent: Ball clay, bentonite, china clay, sagger clay, metal mines (if paragraph (2)(B) does not apply), rock asphalt, and vermiculite.

(4) 10 percent: Asbestos (if paragraph (2)(B) does not apply), brucite, coal, lignite, perlite, sodium chloride, and wollastonite.

(5) 5 percent:

(A) brick and tile clay, gravel, mollusk shells (including clam shells and oyster shells)—

Mr. DOUGLAS. I am very glad the Senator has brought out the fact that clam shells and oyster shells have a depletion allowance.

Mr. MONRONEY. I continue to read from the list of products having a 5 percent depletion allowance:

Peat, pumice, sand, scoria, shale, and stone, except stone described in paragraph (6); and

(B) If from brine wells—bromine, calcium chloride, and magnesium chloride.

(6) 15 percent: All other minerals (including, but not limited to, aplite, barite, borax, calcium carbonates, refractory and fire clay, diatomaceous earth, dolomite, feldspar, fullers earth, garnet, gilsonite, granite, limestone, magnesite, magnesium carbonates, marble, phosphate rock, potash, quartzite, slate, soapstone, stone (used or sold for use by the mine owner or operator as dimension stone or ornamental stone), thenardite, tripoli, trona, and (if paragraph (2)(B) does not apply) bauxite, beryl, flake graphite, fluorspar, lepidolite, mica, spodumene, and talc, including pyrophyllite), except that, unless sold on bid in direct competition with a bona fide bid to sell a mineral listed in paragraph (3), the percentage shall be 5 percent for any such other mineral when used, or sold for use, by the mine owner or operator as riprap, ballast, road material, rubble, concrete aggregates, or for similar purposes. For purposes of this paragraph, the term "all other minerals" does not include—

(A) Soil, sod, dirt, turf, water, or mosses; or

(B) Minerals from sea water, the air, or similar inexhaustible sources.

Mr. DOUGLAS. Give the Senator from Oklahoma and his friends time, and they will include that, too.

Mr. MONRONEY. I am sure it will be found that oil is as important to those of us from oil-producing States as corn is to the distinguished Senator from Illinois or as cheese is to the distinguished Senator from Wisconsin. These are economic factors that weigh heavily on the establishment of a tax base which helps keep our States afloat.

I simply point out that by singling out one industry and cutting down on the depletion allowed to that industry to the degree which is proposed, without affecting the other industries, is special, class legislation. The proposal ignores all the depletion allowances in other industries, which in most cases have no high risk factors, because there is not much risk in going after coal or bauxite or monumental stones or sand or gravel or clam shells.

So I feel those of us who have the good fortune to represent States which have been blessed with oil should do what we can to protect the health of that industry. Most of the minerals—in fact, everything except sod—have a depletion allowance. I fail to see the justice of not trying to cover all the other minerals, if the Senator is trying to be fair, instead of singling out this one industry.

The Senator from Illinois talked about the "giants." One would think this proposal dealt only with giants in the oil industry. The amendment proposes a reduction of the historic 27½ percent depletion allowance, on which the oil industry has grown, and on which it has been based for many years, going back into the 1920's, if the gross income from all oil and gas production of any company holding 51 percent of an oil well exceeds $1 million for their entire operation for the year.

It is interesting to say, "Well, this is $1 million gross," but that does not quite reflect the net profit before taxes. At $3 a barrel, the $1 million gross profit means production of about 333,000 barrels of oil. I would be stretching the profit secured by the average producer of oil in the United States to estimate it at 25 cents a barrel profit before taxes. Assuming even this high degree of profit, the Senator's breakpoint to reach the so-called giants, involves a net profit before taxes of $83,000. When a producer reaches that point he loses 6½ percent of the depletion allowance. Thus, a company operating 10 leases, on each of which there was a profit of $8,300 in a year, would automatically slide down 6½ percent in the depletion allowance.

Not only that, but tens of thousands of wells are not owned by stock companies, but are joint enterprises in which many small owners take an interest. If a small producer or anyone else owned 51 percent of the well and had a $1 million gross, or a $5 million gross, all the small stockholders, while they might have only a $1,000 or $2,000 share in that well, would also slide down to the same loss of depletion as the "giant" companies.

While the amendment has corrected the defect of an earlier amendment of the Senator from Wisconsin of applying to royalties, he does not correct the discrimination against the tens of thousands of small shareholders who join together in order that wells may be drilled. Their share in the depletion allowance goes down, too, although they may never approach, to the smallest degree, the figure of $1 million gross revenue.

Certainly, it would not be a large operator that would have $83,000 net before taxes. Those are rather modest sized operators in the Oklahoma fields.

The really large companies that get pushed down to a 15 percent, or 12½ percent loss in the gross production tax, the giant companies which suffer the great losses, would have to have only a $415,000 income gross profit.

That is based on the assumption that the $5 million gross will produce 1,665,000 barrels of oil which, at 25 cents a barrel net profit, would give the maximum cut of nearly half the allowance when profits reached $415,000.

The distinguished Senator from Illinois is a noted economist. I think we can be concerned about the growth potential in any business. Many of the small operators who start out with one lease have been rather lucky. They reinvest their money. They seek to find more oil. By finding more oil they will begin to cut down on their depletion allowance as they get greater gross production, if the Senator's amendment is agreed to. The tendency would be to have more and more splintering, in order to prevent the ownership of any combination of leases which would produce over $83,000 a year net.

Should the prices of oil go up, as sometimes they do, with the workings of economics the depletion would automatically be cut by 6½ percent for the very small operator, or it could be cut back almost half for the operator who had $415,000 net before taxes.

I say, Mr. President, this is a meat ax treatment on a very serious tax problem which affects one of our very basic industries. The relation of this country to our national defense cannot be brushed off as a fantasy. There is no single essential of national defense which is as important for the waging of a war today as petroleum. We found that out in World War II. The way we destroyed the war potential of Germany was to bomb out the oil supplies. Because Germany did not have the blessings of natural oil or natural gas we bombed out the coal extraction plants from which the oil came.

The importance of this industry was demonstrated in the Suez crisis, when we observed that all Western Europe was in danger of being rendered completely impotent to carry on industrial growth, transportation, or its very existence. Had it not been for the fact that we do have a degree of excess supply in this country, which the Senator from Illinois has repeatedly called overproduction, we would have been in trouble. I say to the Senator, he is ignoring the fact that this is a margin of safety. We should be grateful indeed for the extra bit of production. I would hate to see us cut production so close in this country that we would find it impossible even to produce the additional oil for a limited war.

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

Mr. MONRONEY. I am happy to yield to my distinguished colleague.

Mr. GORE. Is it not true that the principle of a depletion allowance was adopted for the purpose of encouraging and stimulating the discovery and development of our natural resources?

Mr. MONRONEY. That is absolutely true. Furthermore, Congress has wisely and I think prudently considered that the utilization of natural resources represents an exhaustion of original capital wealth. We create no more oil by merely producing that which nature gave us millions of years ago. When we produce a barrel of oil we have one barrel less in reserves. Depletion must be considered in a twofold way.

We must encourage the replacement of exhausted supplies. We must provide enough money for the producer to invest in new wells.

That is why I think the Senator's statistics, which look so abnormal, do not mean that the oil industry is getting away with a vast tax grab. This money is being plowed back into searching for more production and plowed back into producing more oil for the United States. That is what the 27½ percent depletion allowance brings.

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

Mr. MONRONEY. I am happy to yield.

Mr. GORE. I recognize that the Senator is a student and an authority on this subject. I cannot lay claim to very much knowledge in this field. I have an opinion that those who are actually using the depletion allowance or deduction for the purposes of discovery, exploration, and development are entitled to a liberal allowance. I am not sure exactly what percentage that should be.

The thing which troubles me is that many people who have never explored, discovered, or developed 1 gallon of oil seem to be getting the benefit of the depletion allowance. That not only is true with respect to people in our country but also is true with respect to corporations which, in addition to foreign tax credits, receive depletion allowances for the development of a Saudi Arabian field. Those are things upon which I solicit the opinion of the able Senator.

Mr. MONRONEY. I will say to my able friend and colleague there is a small percentage—I would judge it to be within the range of from 2 to 5 percent—of those engaged in the oil business who are not oil producers and who do not stay in the business to reinvest their money and continue to produce a supply of oil which is not necessary for this country.

The fault, I will say to my distinguished colleague, I feel rests in the high personal income tax brackets. I am referring to the people in the 90 percent income tax bracket, who find it easy to gamble with a 10-cent dollar. If they hit it rich on the 10-cent dollar, it is a good gamble. Those are dollars which would normally go into taxes. Instead they are plowed into the gamble for oil. Those people are playing with a 10-cent dollar. They have a far greater advantage in the making of big money than have the oil driller, the oil explorer, or the oil operator, who are not in those high tax brackets.

This group includes those in the entertainment world and others. I think if the personal income tax bracket were at a top of 50 percent we would not find this use of the high risk money gambling in oil. Much of the money has also gone into uranium. Much of the money goes into the New York plays, where the risk is high. When a person is in the 90-percent tax bracket he will find a high risk play very attractive for a 10-cent dollar.

Mr. DOUGLAS. Will my good friend yield to me?

Mr. MONRONEY. I am happy to yield.

Mr. DOUGLAS. I do not think my good friend was in the Chamber when I mentioned earlier in the evening that if this package proposal of tax reform of ours were to be enacted into law we could save some $2 billion for the taxpayers, and out of the money we could provide a $1 billion tax reduction. One of our amendments would provide for reducing the supertax to a total of 75 percent, with a corresponding reduction for other groups, so that the inducement for speculative gains which now exists would be greatly reduced.

If my good friend would only go along with us in cutting down the depletion allowance, we could remove or greatly lessen the undue stimulus to which he has referred.

Mr. MONRONEY. I have felt that the 90-percent tax bracket is in some way self-defeating.

Certainly I think much of the blame of the workaday oil industry results from those people in this kind of a peculiar situation, who invest not only in the oil industry but in many high risk enterprises because they are gambling with 10-cent dollars.

Certainly if one is in the day-to-day industry, as the statistics will clearly prove, the record is much different.

I live with the average oil producers. They are mostly small businessmen. They live well, but not extravagantly. I am sorry my friend from Wisconsin needed to make the point that there must be something wrong because there is a low rate of failures. I do not think Congress wants to legislate to increase the rate of failures. I think it is to the great credit of these men that they are able to stay solvent.

Our whole banking system in Oklahoma is geared to oil. Large loans are made with reference to oil.

The amendment the Senator from Illinois has offered, I will say, would undercut the traditional risks our banks take, because it is the depletion allowance which offers the extra security so that the banks can make the loans for the drilling of wells.

This is not "small potatoes." It frequently costs about a half million dollars to drill one oil well. The kind of wells we are finding now cover no more than 60 or 80 acres. If one finds a dry hole, $5 million may be lost.

We are now going down 8,000 feet to find oil, whereas originally we found oil at 600 feet. The risks are becoming greater. There are fewer wells, and the wells have less production.

We must continue the search for oil to replace the vast amount which is being exhausted from our continental U.S. supply. To cut off the depletion allowance now, with costs going up, when oil is becoming more and more difficult to find, would certainly be to our great disadvantage.

I never want to see this Nation become dependent on the adrenal glands of a foreign ruler. We have seen the jugular vein of the oil supply of Western Europe cut in a fit of temper. Had it not been for the fact that we had this excess of production, due to what the distinguished Senator from Illinois calls overdevelopment, we would not have been able to give a very necessary helping hand to our friends.

I have no brief for the large oil companies. I think those companies can take care of themselves, particularly those which are fortunate enough to enjoy the vast tax advantages, other than the depletion allowance, which our tax laws give to the producers of overseas oil, especially in the Middle East.

If the Senator really were able to reach a different problem, the situation might be different. I have spoken often, and have encouraged legislation, to try to correct the tax regulation which, in effect, gives 55 percent depletion to producers of oil in the Arabian countries. This is an outright discrimination against our domestic producers.

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

Mr. MONRONEY. I yield.

Mr. DOUGLAS. The Senator has been talking about this subject for years, but so far as I know, he has never introduced a bill. I invite the Senator to apply his great talents to that subject. If it is a good bill, I will support it.

Mr. MONRONEY. The senior Senator from Wyoming [Mr. O'MAHONEY] has such a bill. The Senator from Texas has a bill, or an amendment. If it is in order, I am sure the Senator will have an opportunity to vote on it tonight. Certainly all of us from the oil territories recognize that this special favortism works a distinct hardship. Foreign oil is produced at a cost of less than 85 cents a barrel, delivered at the seaboard of the United States, whereas it costs around $3 a barrel to produce it in the United States.

This is the kind of thing the Senator's amendment would not cure, because while he would reduce the depletion allowance for producers with more than $5 million gross income, he would still leave this double depletion for producers overseas, who have worked out the slick trick of considering the sheik's share of the oil, instead of a 50 percent working interest, as was once the case, a foreign tax which is deducted.

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

Mr. MONRONEY. I yield.

Mr. GORE. There is one other device—perhaps I should not call it a device, but a legal method of tax deduction or tax avoidance. I refer to the operation of a foreign subsidiary of a domestic corporation. In that case no taxes whatsoever are paid or owed until the income is brought back into the United States. It may never be brought back to the United States. It may go to Monaco, Bermuda, or some other tax haven. So in addition to the depletion allowance on foreign wells, the foreign tax credit, there is this foreign subsidiary operation. All three added together amount to a handsome subsidy for foreign oil operation.

I would not wish to discriminate against the development of oil which is available to the Western Hemisphere, but I share the opinion of the junior Senator from Oklahoma that we should not permit our tax laws to operate as a discrimination against domestic producers.

Mr. MONRONEY. I appreciate very much what the Senator has said, and I should like to point out that in 1957, in the case of the 33 largest companies in the United States, the income from domestic operations totaled $1,897 million, and that from their foreign operations totalled $1,203 million. So it can be seen that their income from operations abroad was almost as great as from their total operations within the United States.

Also, I point out that after all the figures were in, according to the Chase National Bank annual analysis of the 33 leading companies, these 33 oil companies had a net income of $3,100 million. The net income still represented only 9.9 percent of their total income. This represents a return on borrowed or invested capital of 11.7 percent. Yet, when we realize that this group of 33 companies had the great tax advantage on oversea oil, their domestic operations must not have yielded such a great return, even in the case of the giant companies, because their profit does not compare favorably with the yield of many other manufacturing corporations.

According to the Quarterly Financial Report for Manufacturing Corporations for the first quarter of 1959, published jointly by the Federal Trade Commission and the Securities and Exchange Commission, the petroleum industry's annual rate of profit on equity capital, after taxes, was a return of 10 percent. That is after taxes, including the deductions about which the Senator from Illinois has been speaking. This profit compares with the annual rate of profit for other industries for the same period as follows:

	Percent
Motor vehicle manufacturers	19.1
Electrical machinery	10.7
Iron and steel	11.7
Instrument manufacturers	10.8
Tobacco manufacturers	12.0
Chemicals	13.0
Drugs	18.5

This is after all the tax deductions—and many of them are deductions in the oversea operations that should not be allowed, which literally doubled the depletion allowance, as compared with the allowance for domestic concerns. It seems to me that this amendment is an unrealistic approach to the oil problem.

The amount of development of reserves to which the distinguished Senator from Tennessee [Mr. GORE] refers is the subject of a study made by C. J. Anderson, Chief Petroleum Engineer of the U.S. Bureau of Mines, in Washington, D.C. I ask unanimous consent that the table compiled from this study be printed in the RECORD at this point as a part of my remarks.

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

Net value of production versus expenditures for finding, developing, and producing oil and gas

[Thousands of dollars]

	1951	1953	1955
Industry income:			
Net value oil produced	4,862,136	5,401,018	5,884,215
Net value gas produced	465,451	660,501	836,324
Total net value production	5,327,587	6,061,519	6,720,539
Industry expenditures-exploration costs:			
Geological, geophysical, and related professional services	186,000	243,590	245,440
Lease purchases and rentals	637,910	744,630	876,520
Dry holes	650,290	795,890	940,210
Overhead	126,780	171,270	206,220
Total exploration costs	1,600,980	1,955,380	2,268,390
Development costs:			
Drilling and completion of producing wells	1,390,050	1,689,607	2,097,225
Equipment (tubing, tanks, flow value, etc.)	420,360	483,000	556,210
Overhead	135,780	168,378	205,640
Total development costs	1,946,190	2,340,985	2,859,075
Subtotal, exploration and development costs	3,547,170	4,296,365	5,127,465
Operating costs:			
Oil—direct costs	1,274,149	1,392,576	1,540,092
Oil—overhead	242,146	306,326	337,758
Total oil operating costs	1,516,295	1,698,902	1,877,850
Gas—Direct costs	89,220	134,675	134,097
Gas—Overhead	7,758	10,920	9,387
Total gas operating costs	96,978	145,595	143,484
Total operating costs	1,613,273	1,844,497	2,021,334
Total expenditures for finding, developing, and producing [1]	5,160,443	6,140,862	7,148,799
Net annual balance	+167,144	−79,343	−428,260

[1] Includes maintenance, supervision, and general overhead but excludes charges for research. The costs do not include income taxes, payment on interest and principal, or return to investors.

Source: "Petroleum and Natural Gas in the United States—Relation of Economics and Technologic Trends" by C. C. Anderson, Chief Petroleum Engineer, U.S. Bureau of Mines, Washington, D.C.

Mr. MONRONEY. This table refers to domestic production. It shows for 1955 that the total value of domestic production of oil and gas was $6,720,539,000. That was what the oil industry received from the production of all oil and gas in the United States.

The total cost of exploration amounted to $2,368,390,000. The development costs, including drilling and completion of producing wells, equipment, tubing, tanks, flow valves, and overhead, represent a total of $2,859,075,000.

The total exploration and development cost was $5,127,465,000. When we take into consideration the direct costs, overhead, and so forth, the total operating costs were $2,021,334,000.

This gives a total expenditure for finding, developing, and producing of $7,148,799,000. Considering the total net value of production for that year of $6,720 million, we have a deficit of $428,260,000.

Note that while the industry spent $5,127,465 on exploration and development, the maximum depletion allowable was $1,850,000. The industry spent $3 for every $1 of depletion.

Certainly this amount represents an investment in the future supply of oil. Because we are exploring. We are finding new supplies, which will come into production to serve our Nation's future needs.

The efforts to replace oil must continue. Were it not for the depletion allowance which makes this replacement possible, the consumers of the United States would have to pay many cents more for a gallon of gasoline than we are paying today to provide the same exploration costs.

While the distinguished Senator from Illinois has exempted royalty owners, the opportunity for development of marginal fields by big companies—because they will be in the 15-percent bracket—will not exist. They will not fool with stripper wells. They will not fool with the high-cost, low-producing wells, as they do today because of the 27½-percent depletion allowance. If they have over $480 million a year income before taxes, they are not going to drill out, so the royalty owner or farmer who wishes to lease to a company will find a smaller market, and fewer people willing to gamble on finding oil.

It seems to me that the test of time is the most reliable. We have had an adequate supply of oil, capable of oiling two world wars. We have met the emergencies involved in the limited wars in Korea and the Middle East. We have

supplied our allies and friends in case of emergency. Certainly it seems to me that the system which has worked well, and which has built a great industry, which has produced a great income, and which has paid taxes for highways, gasoline taxes, and every other kind of taxes, should not be made the single victim of this amendment. It is not carefully worked out. It does not operate equally across the board, in comparison with other minerals. It penalizes those having $83,000 net income a year before taxes by subjecting them to a drastic cut of 20 percent or more, merely because they were able to produce enough oil to earn $83,000 a year.

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

Mr. MONRONEY. I yield.

Mr. RANDOLPH. The able Senator has spoken of stripper wells. I am privileged to be one of the Senators representing the State of West Virginia. Our citizens are familiar with this type of production. We know that it is absolutely necessary that a reasonable incentive be continued, so that the independent companies and the small oil and gas producers may continue, within our hills and valleys to pioneer, as did the generations before those for whom I speak, in the necessary and often hazardous search for oil.

Mr. President, I believe thoroughly that the cogent arguments being presented tonight by the distinguished Senator from Oklahoma, have an impact of logic on the membership of this body. I am hopeful that our colleagues will join in supporting the basic premise which is presented in the pertinent points which are carefully considered and clearly advanced.

Mr. MONRONEY. I thank my distinguished colleague.

Let me say that stripper production would be completely lost—the remaining 50 percent—for the want of a nickel a barrel in the cost at the mouth of the well. That production could be lost. During World War II we subsidized the stripper wells to the extent of 5 cents a barrel in order to keep them producing, rather than raise the price of oil under price control. It was that 5 cents that kept them in production.

The amendment of the Senator from Illinois, for any sized company at all, would withdraw more than 5 cents a barrel from these small wells and would lead to wholesale abandonment of the wealth of the country which could never be recovered, because once the wells are shut down, once water overtakes the small wells, the production is gone forever.

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

Mr. MONRONEY. I yield.

Mr. RANDOLPH. Personalities should not enter into a discussion of this type, but perhaps I will be pardoned as I speak of my revered dad, who was an oil and gas producer. He was also a lawyer and an active businessman and a cattle buyer. Yet my father, in a very real sense, was a pioneer. At one time he was reputed to be the most active oil and gas producer, in the independent category, in West Virginia.

I remember very well, as a youngster, when he was encouraged by the Federal authorities to drill for oil in West Virginia when our country was dedicated to the prosecution of World War I. He drilled 11 dry wells in an effort to meet the request made of him—and it was made of others—to drill into the earth in search of the oil which was needed for the successful conclusion to that armed conflict.

Yes, Mr. President, he was encouraged, and even told in Washington, that if he had dry wells and had losses accruing from this exploration, a grateful Government would be obligated to reimburse him for the actual costs. That assurance was not in writing; it was an understanding which, very frankly, was consummated with many other independent producers. Yet I recall it now for the purpose of indicating that he was a patriot who absorbed those losses. He was never reimbursed. It was a pioneering spirit which kept his at his task.

West Virginians from that era until now have had before them not only the desire but also the determination to carry forward this important enterprise.

Mr. President, our State is producing an average daily gross production of crude oil in the amount of approximately 6,000 barrels. There are some 25 or 26 oil producing States. In West Virginia we rank about 20 or 21 in this list. Exploration must be carried forward, even though the wells that are successful are small in their output.

Mr. MONRONEY. I thank the distinguished Senator for his contribution to the discussion.

Mr. President, some 3,750 million additional barrels of oil will be added from such stripper wells by secondary recovery methods and water flooding. But such legislation as is proposed by the Senator from Illinois will virtually put an end to this by the withdrawal of the necessary depletion allowance to do this job.

Mr. President, I yield the floor.

Mr. YARBOROUGH. Mr. President——

The PRESIDING OFFICER. How much time does the Senator from Texas desire?

Mr. JOHNSON of Texas. Mr. President, how much time have I remaining?

The PRESIDING OFFICER. The Senator from Texas has 22 minutes remaining.

Mr. JOHNSON of Texas. How much time does the Senator from Texas desire?

Mr. YARBOROUGH. Five minutes.

Mr. JOHNSON of Texas. I yield 5 minutes to my distinguished colleague.

Mr. YARBOROUGH. Early this evening in the colloquy between the Senators from Wisconsin, Illinois, and Louisiana, there was much discussion about the great political influence of the oil companies and rather an intimation that votes for the depletion allowance were because of that political influence.

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

Mr. YARBOROUGH. I yield to the able and distinguished Senator from Illinois.

Mr. DOUGLAS. That was not the statement of the Senator from Louisiana or the statement of the Senator from Illinois. We did say, however, that the oil companies as a group had strong political influence. But we did not imply that everyone who voted against the depletion allowance was necessarily being swayed by the oil companies. I want to make that point clear.

Mr. YARBOROUGH. I thank the Senator from Illinois for that clarification, so far as he and the Senator from Louisiana and the Senator from Wisconsin are concerned. Of course, I concede that the political influence of the oil companies is great in this country. The political influence of any segment of our economy who owns that much of the wealth is great in this country. The political influence of the oil companies is very great in my own State, as I have learned to my sorrow on many a hard fought field.

The Senator from Wisconsin [Mr. PROXMIRE] said he had been in five statewide races in his State in the past 7 years. I also have been engaged as a candidate in five statewide campigns in my State in the last 7 years, always opposed by the influence of the wealth of this very powerful industry, put in scales on the other side against me. I lost the first three of those fine campaigns by virtue of that. So I am not on the same side of the political fence with these oil companies. My party is not, either.

The $100 a plate dinners given in my State, such as that for the former minority leader of the House, are not given to the members of our party; they are given for the party across the aisle. When the oil and gas industry gives $100 a plate dinners in Texas, they are not given to my party.

But I am not here to punish that industry simply because they support the opposing party and are among the chief contributors to the other side of the fence.

Statistics have been offered here tonight by the Senator from Wisconsin to show how much those people in the large oil companies contribute to the Republican Party in political campaigns. But this is not a question of politics; it is a question of economics. I have followed the discussion of the economics of this question as presented by the distinguished Senator from Illinois, but I cannot agree with his conclusions on this question.

I point out what has happened to the production of oil in my State. I am opposed to this amendment because of what I know did happen when the great flood of foreign oil poured in on us in 1957, and because I know what will happen if further restrictions are put on drilling. The elimination of the depletion allowance will put further restrictions on drilling. The production of oil in my State has declined 2½ percent in the last 5 years. During that same 5-year period, production of oil went up

in Venezuela 46 percent; in the Middle East, it increased over 52 percent. Because drilling has become unprofitable in my State, due to foreign oil imports it has meant fewer employment opportunities in Texas.

The man who works on a drilling crew earns about three times as much as a farmowner. He earns five times as much as a farm laborer.

The greater portion of the large oil companies are owned in the North and East and not in Texas, but the work is done in Texas and the Southwest.

Ninety percent of the oil pipelines in Texas are owned in the East. One of the largest carbon producers in my State is owned in Boston. Those big oil companies are owned in the North and East, their profits go there, but the oilfield laborer in Texas gets five times as much as a farm laborer for a day's work.

As one historian has pointed out, the thing which lifted Texas economically from its position as a typical farm State with a single economy was the production of oil and gas. Yet it was the banks of New York and Chicago which provided the credit structure on which many of the oil wells of the Southwest were drilled. That credit structure is based upon the depletion allowance.

But I am talking for the laborers in the oilfields who are going to lose their jobs if the depletion allowance is drastically reduced. I agree with the distinguished Senator from Illinois with respect to sound fiscal policies. I applaud the great work he has done in that respect. He is a distinguished American economist, as well as a Member of this body, and has sought today, by other tax raising measures, to put this country in a sounder fiscal position.

I supported this week the Health, Education, and Welfare appropriation bill, which appropriated $4 billion and increased the amount for public health research by $300 million. I believe we have to finance that. I have voted for every tax measure offered this afternoon and tonight to raise more taxes. I believe in raising taxes whenever we can do so without hurting the economy.

In my opinion, cutting off the depletion allowance would hurt the economy and reduce the number of job opportunities in all the oil-producing States. It would limit the drilling of oil wells. The Senator from Illinois is a great economist. He frankly admits and states that the cutting of the depletion allowance would reduce the drilling of wells. But he states that in his opinion too much money has been spent on drilling wells, that too much capital has been invested in drilling wells. He wants capital invested in something else, so there will be fewer oil wells.

We use a great deal of steel in an oil well. We buy the steel from the North and the East. The money paid for all the steel in an oil well goes into the profits of the steel companies and into the wages of the United Steel Workers. But let us remember that the drilling of wells is done in the oil-producing States, and wages for drilling the wells are paid in my State, adding to its economy.

Even in the drilling of dry wells, not all of the metal is lost, because during World War II the dry wells were located, the steel casings were pulled out, and then used as scrap in World War II.

I offered a bill in February 1958 to raise taxes on imported oil. I am offering that measure now as a substitute for the amendment offered by the distinguished Senator from Illinois. It will raise money. It will not hurt the American consumer; it will not raise the price of gasoline 1 cent. It will put more than $100 million of additional moneys into the Treasury per year. It will help the domestic industry some, but it will not stop the importation of foreign oil, because the bill I am offering does not tax oil imports enough to stop foreign imports. I am not trying to cut off foreign imports, I merely want it to pay a reasonable tax, as it takes a profit out of our economy.

Mr. President, at this time I offer my amendment in the nature of a substitute for the amendment of the distinguished Senator from Illinois, to levy an import tax on petroleum and petroleum products of 2 cents a gallon on crude petroleum, 3 cents a gallon on gasoline and other motor fuel, and 4 cents a gallon on lubricating oils, with the exception of that produced in countries which have a common land boundary with the United States.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. It is proposed that section 4521 of the Internal Revenue Code of 1954 (relating to import tax on petroleum products) be amended—

(1) by striking out "one-half cent per gallon" in paragraph (1) (tax on crude petroleum, etc.) and inserting "2 cents per gallon";

(2) by striking out "2½ cents per gallon" in paragraph (2) (tax on gasoline or other motor fuel) and inserting "3 cents per gallon"; and

(3) by striking out "4 cents per gallon" in paragraph (3) (tax on lubricating oil) and inserting "5 cents per gallon".

SEC. 2. The amendments made by this Act shall apply to articles entered, or withdrawn from warehouse, for consumption on or after the first day of the first month which begins after the date of the enactment of this Act.

The PRESIDING OFFICER. How much time does the Senator from Texas yield himself on his amendment?

Mr. YARBOROUGH. I will take only 2 minutes.

My proposal will raise more than $100 million a year. I point out that oil produced in Saudi Arabia and laid down at the great refineries in New Jersey can be produced and laid down there for more than a dollar a barrel cheaper than oil produced in the United States, even without any transportation costs being computed to get the domestic production to the refinery.

This is a tariff of 2 cents a gallon, or 84 cents a barrel. It will not hurt any American consumers financially. It will give us a modest tax income on imported oil. Even with this tax they can produce foreign oil and lay it down at dockside in the United States much cheaper than domestic oil can be produced. My substitute will do some of the things which the Senator from Illinois has tried to do with this and other measures. It will raise some needed revenue. It will help our economy. It will not slow up domestic production as a cut in the depletion allowance would slow it up. It will not cost the jobs of workers in the United States; while a cut in the depletion allowance will cause domestic oil workers in the United States to lose jobs.

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

Mr. YARBOROUGH. I yield.

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

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

Mr. YARBOROUGH. I yield.

Mr. LONG. It seems to me that the Senator from Texas is correct about Saudi Arabian oil, and he might even be correct about Venezuelan oil. But how about Canadian oil? It seems to me that Canada could not very well stand that burden.

Mr. YARBOROUGH. I have stated that my amendment would not apply to a country with a common land boundary with the United States. In case of war, we could obtain Canadian oil by pipeline. But in time of war we might not obtain oil from overseas—as was shown during the last World War. So there is good reason, on the basis of the international situation, for applying the tax I propose to oil imported from overseas, but not to oil imported from a country which has a common land boundary with the United States. It is obvious that during a war, oil produced overseas might not be brought into the United States with ease because of the 600 Communist submarines lurking in the oceans and seas of the world.

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

The PRESIDING OFFICER. Under the unanimous-consent agreement, the only remaining time on the amendment of the Senator from Illinois is under the control of the majority leader. If the Senator from Illinois is to obtain further time on his amendment, it must be yielded to him from the time still available.

Mr. DOUGLAS. I thought it was always in order to suggest the absence of a quorum.

Mr. JOHNSON of Texas. Not when a time limitation is in effect.

Does the Senator from Illinois think that more Members would be present at the conclusion of a quorum call than the number present at this time?

Mr. DOUGLAS. Yes. Will the Senator from Texas yield 3 seconds to me?

Mr. JOHNSON of Texas. Yes; in fact, I yield to the Senator from Illinois whatever time he seeks.

Mr. DOUGLAS. I thank the Senator from Texas for yielding 3 seconds to me.

Mr. President, at this time I suggest the absence of a quorum.

Mr. JOHNSON of Texas. Mr. President, more than 3 seconds will be re-

quired to call the roll, following the suggestion of the absence of a quorum.

Mr. DOUGLAS. Well, let us see.

Meantime, I thank the majority leader for yielding the 3 seconds to me.

Mr. LONG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Louisiana will state it.

Mr. LONG. What is the pending question?

The PRESIDING OFFICER. The pending question is on agreeing to the amendment submitted by the Senator from Texas [Mr. YARBOROUGH], in the nature of a substitute for the amendment submitted by the Senator from Illinois [Mr. DOUGLAS].

Mr. LONG. If all time available to the proponent of the Douglas amendment has been used——

The PRESIDING OFFICER. The junior Senator from Texas [Mr. YARBOROUGH] has submitted an amendment in the nature of a substitute for the amendment of the Senator from Illinois.

Does the junior Senator from Texas yield back the remainder of the time available to him?

Mr. DOUGLAS. Mr. President, the senior Senator from Texas [Mr. JOHNSON] yielded 3 seconds to me, and I suggested the absence of a quorum. Did the Chair hear me suggest the absence of a quorum?

The PRESIDING OFFICER. Under the unanimous-consent agreement under which the Senate is proceeding, the time yielded is for the purpose of debate, not for the purpose of the suggestion of the absence of a quorum.

Mr. JOHNSON of Texas. Mr. President, if the Senator from Illinois thinks anything is to be gained by suggesting the absence of a quorum, and if he wishes to have a quorum call had, I shall not object to having a quorum call had, with the understanding that the time required for it will not be charged to the time available to either side. But I think that at the present time more Members are in the Chamber than the number who would be in the Chamber following a quorum call.

If the Senator is ready to yield back the remainder of the time available to him, I am ready to do likewise.

Mr. DOUGLAS. I am ready to yield back the remainder of the time available on my amendment.

I do not know whether the junior Senator from Texas [Mr. YARBOROUGH] is prepared to yield back the remainder of the time available to him on his amendment in the nature of a substitute for my amendment.

Mr. YARBOROUGH. All but 1 minute.

Mr. DOUGLAS. I am ready to yield back all but 5 seconds of the remaining time available to me. But I wish to reserve 5 seconds for the suggestion of the absence of a quorum and for a quorum call, without being held out of order.

The PRESIDING OFFICER. The time available to the Senator from Illinois on his amendment has expired.

The Senator from Illinois has 13 minutes remaining under his control from the 1 hour and 15 minutes yielded to him by the Senator from Texas [Mr. JOHNSON] from the time available on the bill.

Mr. DOUGLAS. In other words, not all of the time available to me has expired; is that correct?

The PRESIDING OFFICER. All time available to the Senator from Illinois on his amendment has expired; but 13 minutes on the bill is still available to him.

Mr. DOUGLAS. Precisely so.

Mr. President, I yield back all but 5 seconds of that time.

Mr. RANDOLPH. Mr. President——

Mr. YARBOROUGH. Mr. President, I yield to the senior Senator from West Virginia [Mr. RANDOLPH].

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. RANDOLPH. Mr. President, in connection with the amendment which has been offered by the eminent junior Senator from Texas [Mr. YARBOROUGH] as a substitute for the amendment submitted by the Senator from Illinois [Mr. DOUGLAS], I ask the Senator if he has given consideration to the residual oil which is dumped in the United States from Venezuela at a very low price, in large degree bringing almost irreparable damage to the coal industry in West Virginia and in other States.

Will the junior Senator from Texas be willing to modify his amendment by including a provision for the imposition of a tax on the importations of that residual oil?

Mr. YARBOROUGH. What does the distinguished Senator from West Virginia suggest in the case of the residual oil? The tax provided by my amendment in the nature of a substitute for the Douglas amendment is 2 cents a gallon on crude oil. Of course, residual oil is not worth as much as crude oil.

Mr. RANDOLPH. I believe that a tax of 1 cent on residual oil would be appropriate.

Mr. YARBOROUGH. One cent a gallon?

Mr. RANDOLPH. Yes. This is a serious matter. Residual oil in amounts displacing the equivalent of approximately 40 million tons of coal is being imported on an annual basis. My distinguished colleague from West Virginia [Mr. BYRD] has given valuable leadership in our successful effort to place mandatory controls on this residual oil.

Mr. WILLIAMS of New Jersey. Mr. President, will the junior Senator from Texas yield to me?

Mr. YARBOROUGH. I yield.

Mr. WILLIAMS of New Jersey. I wish to ask only two questions: Was the proposal of the junior Senator from Texas considered in any way before the Finance Committee as an amendment or as a substitute of any kind?

Mr. YARBOROUGH. I have no knowledge of it; I am not on the Finance Committee.

Mr. WILLIAMS of New Jersey. Have any hearings on that amendment been had before any committee of the Senate?

Mr. YARBOROUGH. I do not know of any at this session. Of course, the amendment has been before various sessions of Congress for a long time, and has been widely debated, and has been widely debated in the industry.

Mr. WILLIAMS of New Jersey. But no Senate committee hearings have been held on it during this session; is that correct?

Mr. YARBOROUGH. I know of none; I am not on the Finance Committee.

Mr. President, I modify my amendment by adding to it the proposal submitted by the distinguished Senator from West Virginia [Mr. RANDOLPH], who, with his usual diligence in his able representation of the people of his State, has sought by his amendment to protect them from the disastrous effects of the increasing flood of imported oil, produced at such a low cost abroad, and imported in vast amounts in competition with the oil produced by our domestic labor. By today's New York Times—June 25, 1959—I note that oil imports have now increased to 1,818,700 barrels a day, nearly 2 million barrels a day, up sharply from last year. This would mean a tax income of over $200 million a year. Earlier I said it would raise over $100 million; it will raise over $200 million a year.

Mr. JORDAN. Mr. President, will the junior Senator from Texas mind including in his amendment a textile amendment?

Mr. YARBOROUGH. A textile amendment tacked on to an oil imports tax?

Mr. JORDAN. Yes; a textile amendment—for cotton goods. [Laughter.]

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

Mr. YARBOROUGH. I yield.

Mr. LONG. Did not the White House recently send to the Congress a proposal for a major increase for the benefit of textiles? I thought the White House proposed what the textile industry was looking for.

Mr. JORDAN. We have not heard of it yet.

The PRESIDING OFFICER. Does the junior Senator from Texas yield back the remainder of the time available to him?

Mr. YARBOROUGH. First, Mr. President, I desire to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Texas will state it.

Mr. YARBOROUGH. Has my amendment now been modified so as to include the language which the Senator from West Virginia [Mr. RANDOLPH] proposed, and which I accepted as a modification of my amendment?

The PRESIDING OFFICER. It has.

Mr. YARBOROUGH. Mr. President, I yield back the remainder of the time available to me on the question of agreeing to my substitute for the amendment of the Senator from Illinois.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of the time available to me on this amendment.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment of the Senator from Texas [Mr. YARBOROUGH], submitted as an amendment in the nature of a substitute for the amendment of the Senator from Illinois [Mr. DOUGLAS]. [Putting the question.]

The "noes" appear to have——

Mr. YARBOROUGH. Mr. President, I ask for a division.

On a division, the modified amendment to the amendment was rejected.

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

The PRESIDING OFFICER. The clerk will call the roll.

Mr. DIRKSEN. Mr. President, I rise to a point of order.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. Was the result of the vote on the modified amendment in the nature of a substitute for the Douglas amendment announced before the absence of a quorum was suggested? I understood that the result of that vote was announced before the absence of a quorum was suggested.

The PRESIDING OFFICER. It was.

Mr. DIRKSEN. So the modified amendment in the nature of a substitute for the Douglas amendment has now been disposed of, has it?

The PRESIDING OFFICER. That is correct; the modified amendment in the nature of a substitute for the Douglas amendment has been disposed of.

The absence of a quorum has been suggested, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The question is on agreeing to the amendment of the Senator from Illinois [Mr. DOUGLAS].

Mr. DIRKSEN. Mr. President, on this question, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KEATING. Mr. President, I have a few shares of stock in oil companies, and I ask unanimous consent to be excused from voting.

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

The legislative clerk resumed and concluded the call of the roll.

Mr. MANSFIELD. I announce that the Senator from Massachusetts [Mr. KENNEDY], the Senator from Wyoming [Mr. MCGEE], the Senator Minnesota [Mr. MCCARTHY], the Senator from Utah [Mr. Moss] and the Senator from Montana [Mr. MURRAY] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

On the vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Maine [Mr. MUSKIE]. If present and voting, the Senator from Alaska would vote "nay," and the Senator from Maine would vote "yea."

The Senator from Idaho [Mr. CHURCH] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Idaho would vote "yea," and the Senator from Florida would vote "nay."

On this vote, the Senator from New Mexico [Mr. CHAVEZ] is paired with the Senator from Minnesota [Mr. HUMPHREY]. If present and voting, the Senator from New Mexico would vote "nay," and the Senator from Minnesota would vote "yea."

The Senator from Rhode Island [Mr. GREEN] is paired with the Senator from Wyoming [Mr. MCGEE]. If present and voting, the Senator from Rhode Island would vote "yea," and the Senator from Wyoming would vote "nay."

The Senator from Michigan [Mr. MCNAMARA] is paired with the Senator from Montana [Mr. MURRAY]. If present and voting the Senator from Michigan would vote "yea," and the Senator from Montana would vote "nay."

The Senator from Oregon [Mr. MORSE] is paired with the Senator from Wyoming [Mr. O'MAHONEY]. If present and voting, the Senator from Oregon would vote "yea," and the Senator from Wyoming would vote "nay."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business as members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

On this vote, the Senator from Vermont [Mr. AIKEN] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Vermont would vote "yea" and the Senator from Kansas would vote "nay."

On this vote, the Senator from Vermont [Mr. PROUTY] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Vermont would vote "yea," and the Senator from Indiana would vote "nay."

The result was announced—21 yeas, 54 nays, as follows:

YEAS—21

Carroll	Hennings	Neuberger
Case, N J.	Jackson	Pastore
Clark	Javits	Proxmire
Dodd	Kefauver	Smith
Douglas	Langer	Symington
Ervin	Lausche	Williams, Del.
Hart	Magnuson	Young Ohio

NAYS—54

Allott	Engle	Martin
Anderson	Frear	Monroney
Bartlett	Fulbright	Morton
Beall	Goldwater	Mundt
Bennett	Gore	Randolph
Bible	Hartke	Robertson
Bridges	Hayden	Russell
Bush	Hickenlooper	Saltonstall
Butler	Hill	Schoeppel
Byrd, Va.	Hruska	Scott
Byrd, W. Va.	Johnson, Tex.	Smathers
Cannon	Johnston, S.C.	Sparkman
Cooper	Jordan	Stennis
Cotton	Kerr	Talmadge
Curtis	Kuchel	Thurmond
Dirksen	Long	Williams, N J.
Eastland	McClellan	Yarborough
Ellender	Mansfield	Young, N. Dak.

NOT VOTING—23

Aiken	Gruening	Morse
Capehart	Holland	Moss
Carlson	Humphrey	Murray
Case, S. Dak.	Keating	Muskie
Chavez	Kennedy	O'Mahoney
Church	McCarthy	Prouty
Dworshak	McGee	Wiley
Green	McNamara	

So the amendment of Mr. DOUGLAS was rejected.

Mr. LONG. Mr. President, I call up the amendments I have at the desk, and ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

The amendment will be stated.

Mr. LONG. Mr. President, rather than having the clerk read the amendment, I believe it would be best to have the copies I have prepared distributed to Senators, together with a release I have prepared explaining the amendment. I believe that would save the time of the Senate.

I do not think it would enlighten the Senate to hear the amendment read, and I ask unanimous consent that it may simply be printed in the RECORD at this point along with my statement explaining it.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

(Mr. LONG'S amendment and statement are as follows:)

At the end of the bill add the following new section:

"SEC. . PUBLIC ASSISTANCE PROVISIONS OF THE SOCIAL SECURITY ACT.

"(a) OLD AGE ASSISTANCE.—Subsection (a) of section 3 of the Social Security Act is amended—

"(1) by striking out 'October 1, 1958' and inserting in lieu thereof 'October 1, 1959';

"(2) by striking out '$65' and inserting in lieu thereof '$75'; and

"(3) by striking out '$35' and inserting in lieu thereof '$38'.

"(b) AID TO DEPENDENT CHILDREN.—Subsection (a) of section 403 of the Social Security Act is amended—

"(1) by striking out 'October 1, 1958' and inserting in lieu thereof 'October 1, 1959';

"(2) by striking out "fourteen-seventeenths' and inserting in lieu thereof 'five-sixths', and by striking out '$17' and inserting in lieu thereof '$18';

"(3) by striking out '$30' and inserting in lieu thereof '$33'; and

"(4) by striking out '$18' and inserting in lieu thereof '$20.'

"(c) Aid to the Blind.—Subsection (a) of section 1003 of the Social Security Act is amended—

"(1) by striking out 'October 1, 1958' and inserting in lieu thereof 'October 1, 1959';

"(2) by striking out '$65' and inserting in lieu thereof '$75'; and

"(3) by striking out '$35' and inserting in lieu thereof '$38'.

"(d) Aid to the Permanently and Totally Disabled.—Subsection (a) of section 1403 of the Social Security Act is amended—

"(1) by striking out 'October 1, 1958' and inserting in lieu thereof 'October 1, 1959';

"(2) by striking out '$65' and inserting in lieu thereof '$75'; and

"(3) by striking out '$35' and inserting in lieu thereof '$38'.

"(e) Effective Date.—The amendments made by the preceding subsections of this section shall be effective—

"(1) in the case of money payments, under a State plan approved under title I, IV, X, or XIV of the Social Security Act, for months after September 1959; and

"(2) in the case of assistance in the form of medical or any other type of remedial care, under such a plan, with respect to expenditures made after September 1959.

"(f) Federal Percentage.—

"(1) Section 1101(a)(8)(A) of the Social Security Act is amended by striking out '65 per centum' and inserting in lieu thereof '70 per centum'.

"(2) The amendment made by paragraph (1) shall be effective with respect to the calendar quarter commencing October 1, 1959 and all subsequent calendar quarters."

At the end of the bill add the following new section:

"Sec. . Payments to Certain States for Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled.

"(a) Section 3(a)(1)(A), section 1003(a)(1)(A), and section 1403(a)(1)(A) of the Social Security Act are amended by inserting immediately after "$30" in each such section the following: "(or, in the case of any State in which the per capita income is less than 60 per centum of the average per capita income of the United States, five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $36)".

"(b) Section 1101(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"'(9) The term "per capita income", as used in sections 3(a)(1)(A), 1003(a)(1)(A), and 1403(a)(1)(A), means the average per capita income of each State or of the United States, as the case may be, for the three most recent calendar years for which satisfactory data are available from the Department of Commerce.'

"(c) The amendments made by the preceding subsectons of this section shall be effective with respect to the calendar quarter commencing October 1, 1959, and all subsequent calendar quarters."

The Long amendment is identical to the public welfare sections of the social security bill as the House of Representatives sent them to the U.S. Senate last year, with only one addition. The House-passed bill was the culmination of many months of study by the House Committee on Ways and Means and the House of Representatives itself.

In the Senate Finance Committee the benefits for old age assistance, aid to the blind, aid to the disabled, and aid to dependent children were reduced. The reason for these reductions was that the Senate committee was confronted with the threat of a presidential veto if the cost of the public welfare sections exceeded $200 million.

On the floor of the Senate, Senator Smathers offered two amendments to further reduce the benefits to the needy. He explained that, while he favored everything in the House bill, he recognized that the measure would be vetoed unless the cost of the welfare sections was reduced even more.

The Long amendment is a proposal to send back to the House the same provisions which the House sent to the Senate last year. It is a proposal to confront the President with the same type pressure which he placed upon the Senate last year.

The needy aged, blind, disabled, and orphan children of every State of America would be benefited. There is only one change from the proposal which passed the House of Representatives—the top limit on matching for the needy aged, blind, and disabled would be raised to $75. Failure to make this change would penalize the following States: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Utah, Washington, Wisconsin, and Wyoming.

In other words, the majority of States are ahead of the Federal Government in their liberality to the needy aged, blind, and disabled. Raising the limit to $75 would bring the Federal Government into line with the majority of these States.

Senators will be interested to note that about 90 percent of the additional funds made available as a result of the 1958 amendment have been passed along by the States to the needy.

This amendment would mean considerable benefit to 5,800,000 needy persons in America—approximately 4 percent of the population. The cost would be approximately $142 million annually.

Here are the changes proposed in existing law: First, the present matching limit for needy aged, blind, and disabled is $65. This amendment would increase that limit to $75. The States, previously mentioned, would be benefited.

Second, for States with income below the national average, the Federal Government at present matches on a 65–35 basis all payments to needy aged, blind, and disabled persons. This amendment would step that matching up to a 70–30 basis. This would benefit approximately two-thirds of the States.

Third, for dependent children, the Federal Government at present puts up $14 for the first $3 of State contribution. This amendment would increase the Federal share to $15 for the first $3.

Fourth, the present law permits Federal matching for the children on a 65–35 basis for aid in excess of $17 up to a maximum of $30. This amendment would change the ratio to 70 percent Federal and 30 percent State as the extreme limit for States making the greatest effort relative to their per capita income. The change in ratio would benefit more than one-half of the States.

Fifth, the amendment would increase the top matching figure for aid to dependent children from $30 to $33. This would benefit the majority of States, particularly those with high per capita incomes.

This amendment is drafted to benefit every needy person in America. In some respects it benefits States with more than the average per capita income—in other cases, it benefits States with less than the average per capita income. With the exception of the first item, every other item in this amendment was passed by the House of Representatives in 1958 and recommended to the U.S. Senate by the Senate Committee on Finance.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. JOHNSON of Texas. I wonder if the Senator would agree to a limited time for debate, so that we could inform all Senators when the vote will occur?

Mr. LONG. Realizing that the hour is late, I should like to dispose of the amendment rather briefly, as expeditiously as possible. I would like to have a yea-and-nay vote on the amendment.

Mr. JOHNSON of Texas. Would the Senator agree to a time limitation of 30 minutes, to be equally divided?

Mr. LONG. Yes; that would be agreeable.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that there be 30 minutes on the amendment, to be equally divided between the Senator from Louisiana and the chairman of the committee.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. LONG. Mr. President, I can explain the amendment very briefly. The amendment would put into effect the provisions regarding public welfare, which the House of Representatives sent to the Senate last year, after a year's study, and which the Senate Finance Committee recommended to the Senate last year in the closing days of the Congress.

Mr. JOHNSON of Texas. May we have order, Mr. President?

The PRESIDING OFFICER. The Senate will be in order.

The Senator from Louisiana may proceed.

Mr. LONG. The reason those provisions did not become law last year was that some of us were informed the President would veto the social security bill if the cost of the public welfare sections exceeded $200 million. Therefore, some of us very reluctantly on the floor found it necessary to accept amendments and even to support amendments which would reduce the aid to orphan children, would reduce the aid to the disabled, would reduce the aid to the aged, and would reduce the aid to the blind by approximately $3 per person a month. By agreeing to that, we were assured there was a reasonably good chance the President would sign the bill, and he did. Our position at the time was that the President had the pressure on us and could pocket veto the bill as the Congress was about to adjourn. We would have had no chance to try to override the veto under the conditions, although

the social security bill passed the Senate by an almost unanimous vote.

There were only a few votes against the bill, which included the provisions which I am now offering, in the House of Representatives.

My amendment would restore the formula proposed by the House, which was the formula recommended almost unanimously by the public administrators, to make it possible for a low-income State to receive matching funds up to as much as 70 percent Federal as against 30 percent State. That would benefit over 30 States. I can give Senators the exact figure and the specific States, if necessary.

In addition, the amendment would benefit States which make high contributions, by raising the Federal matching limit. There are about 25 such States. This is the only thing which was not in the bill which the Senate Finance Committee recommended last year. The amendment would raise the limit to $75 where the Federal Government matches funds for the needy aged, blind, and disabled. Mr. President, that is necessary because in the case of the aged, 25 States already exceed the $65, where the Federal matching now stops. Thirty-one States exceed the maximum the Federal Government will match, $65, for aid to the needy and the blind. A large number of States exceed the maximum Federal matching insofar as aid to dependent children is concerned.

The amendment would do exactly what the House proposed to do by an almost unanimous vote last year and what the Senate would have done by an almost unanimous vote last year, but since we were confronted with the probability of a Presidential veto, we felt it would be best to take a half a loaf rather than none. Therefore, we had to agree to certain amendments offered by the Senator from Florida [Mr. SMATHERS], which reduced substantially the desirable increase in public assistance which we would have liked to see given to the needy.

Mr. President, some Senators have been concerned about increasing funds for the needy lest in some instances the States would not pass the entire amount on to their needy citizens. I am pleased to report that, according to the best information I can get, since Congress acted on this subject last year over 90 percent of all the possible increase in funds has been passed on to the recipients. Also, insofar as any of the States did make any reduction whatever in the State contribution, the States also reduced the amount the Federal Government had to put up.

I believe Senators will be happy to know that the amendments we succeeded in putting into effect last year, at least to the extent of 90 percent, achieved exactly the results the Senate desired.

Mr. President, I have added one additional amendment to the proposal, because the formula the Senate committee worked out last year, hard as we tried to make it fair to every State, failed to benefit the State with the greatest right to claim additional benefit, which is the State of Mississippi. This amendment would make it possible for the State of Mississippi to benefit as much as the average State, and perhaps a little more, and would offset the fact that perhaps Mississippi was not treated as well and as fairly as Mississippi should have been treated when the social security bill, with the public welfare section, was prepared last year.

So far as I can determine, my amendment would benefit almost every person on public welfare by an average of about $3 a month per person. There are in excess of 4 million people involved. It would benefit the dependent children, the needy, the blind, the disabled, and the aged. It would benefit the high income States and the low income States. It would benefit all phases of the public welfare program, insofar as aid in terms of Federal matching for those categories of persons is concerned.

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

Mr. LONG. I yield to the distinguished Senator from Nebraska.

Mr. CURTIS. I should like to ask the Senator what is his estimate of the Federal annual cost if the amendment is agreed to?

Mr. LONG. The amendment would go into effect October 1 of this year, so there would be no effect at all in the current fiscal year. It would apply only to the last 9 months of the next fiscal year.

On this floor, because the McCarthy amendment was agreed to, we have added to the bill $335 million more than was in it as reported by the Senate Finance Committee.

The amendment I have proposed, for a full fiscal year, would cost about $150 million. However, since it would apply only to the last 9 months of the next fiscal year, and since experience indicates only about 90 percent of the available amount would be completely used, in the next fiscal year it would appear the cost would be approximately $100 million.

Mr. CURTIS. That is the additional cost?

Mr. LONG. Yes.

Mr. CURTIS. It would be $150 million the first year?

Mr. LONG. No. For a full year of operation it would cost about $150 million, but these provisions would not go into effect until October 1 of this year, so in fiscal year 1960 it would only apply for 9 months. Inasmuch as only about 90 percent of the additional funds could be expected to be used, in making the calculation it would come near to the figure of $100 million, or perhaps as high as $110 million in the succeeding fiscal year.

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

Mr. LONG. I yield.

Mr. CARROLL. Will the Senator refresh the memory of the junior Senator from Colorado? As I recall—I do not know whether it was in connection with a similar bill—about a year ago or perhaps the year before that, the distinguished Senator from Louisiana offered a similar amendment.

Mr. LONG. It was not this amendment, but it was one to raise the ceiling, so that those on public welfare could receive some additional assistance.

Mr. CARROLL. Did the amendment of the Senator from Louisiana have to do with the old-age pension?

Mr. LONG. It certainly did.

Mr. CARROLL. Was that the year in which there was a tie vote in the Senate?

Mr. LONG. Yes; there was a tie vote.

Mr. CARROLL. How was that resolved?

Mr. LONG. The vote was 40 to 40, and the amendment failed to carry. The amendment was offered in connection with the unemployment insurance bill. When the amendment was offered it resulted in a tie vote, 40 to 40. It was not necessary for the Vice President to vote. I do not recall whether he was in the Chamber at the time, but even if he had been present, it would not have been necessary for him to vote, because the amendment failed for lack of a majority. It seems unfortunate that it was not adopted, so far as the Vice President was concerned, because California would have been the State most greatly benefited by the amendment. In any event, the amendment lost by virtue of a tie vote.

Mr. CARROLL. How does the present amendment of the Senator from Louisiana differ from the amendment on which we previously voted? As I understand, it had to do with the formula for the aged.

Mr. LONG. We must start from a different point of view.

The Federal Government would match State contributions for the aged, the blind, and the disabled, up to a figure of $75, whereas the cutoff point is $65 per person, on the average. That means that the Federal Government would put up an extra $5 in a State such as Colorado, which the Senator represents so ably in this body. It would put up an extra $5 in the State of California.

So far as the low-income States are concerned, most of which do not come up to the $65 figure, there would be a somewhat more liberal matching, and the formula would be in conformity with the formula which the House adopted by a vote of about 200 to 2, as I recall. I believe there were only two dissenting votes. It is in conformity with the formula reported by the Senate Finance Committee, but which those of us on the committee found it necessary to pare down, because we were confronted with the threat of a presidential pocket veto, when we would not be here to override it.

Mr. CARROLL. When did the bill pass the House?

Mr. LONG. I cannot tell the Senator exactly—in May or June of last year, I imagine.

Mr. CARROLL. May I put the question specifically and bluntly? If we desire to help the aged, unless we take action now, can we have any hope for the future?

Mr. LONG. My opinion is that if we want to do something for the needy, the

aged, and the orphan children within the next year, we had better vote for this amendment.

If we want to postpone it a year or so, that is something else. Some people say we ought to wait until an election year to bring up this proposal. I believe that this type of legislation should be above politics. If we want to help those people between now and a year from next October, this is the time to do it.

The President will sign this bill, because we are giving him about $3½ billion of revenue. That being the case, I am sure he will sign it.

Mr. CARROLL. Is not this type of legislation supposed to be initiated in the Ways and Means Committee of the House?

Mr. LONG. Not necessarily. We have the right to amend any revenue bill which comes before us. Incidentally, this provision could perhaps even be originated in the Senate. This type of amendment has frequently been offered on the floor of the Senate. It has been my experience that we have a better chance of having it adopted on the floor of the Senate than in the Senate Committee on Finance. I serve on that committee, but my impression is that we can do better on the floor with a yea-and-nay vote than we do in the committee, all things considered.

Mr. CARROLL. Let us assume that this body adopts the amendment offered by the distinguished Senator from Louisiana. Even though the House might not accept it at this time in conference, would not it represent an expression of how we feel?

Mr. LONG. I appreciate the Senator's observation. Our action would urge the House Ways and Means Committee to get busy, even if they did not agree to it. But I feel positive that they would accept it. This happens to be 90 percent of what they sent us last year. It was passed by the House by an overwhelming vote with only a few dissenters.

There are six points in this amendment. Four of them were sent to us by the House by an almost unanimous vote. The House Ways and Means Committee must want this type of legislation, because that is what the House committee took to the House and succeeded in putting through.

Mr. CARROLL. Is the Senator saying that if the House passed it by such a great majority, it was really rejected by our own body?

Mr. LONG. The Senate Finance Committee recommended most of what I am proposing—practically all of it. The Senate committee recommended it and brought it to the Senate last year; but when it reached the floor we were confronted with the rumor—and I believe that it was a well-founded rumor—that if we went as far as the Finance Committee felt we should go, and as far as the House felt we should go, even though we passed a social security bill by a unanimous vote, nevertheless the President would wait until after the Congress adjourned and went home, and subject the bill to a pocket veto. That would have been the end of the bill.

So, reluctantly and against our better judgment, the majority of the Senate Committee on Finance felt that it was our duty to come to the floor of the Senate and, against our own desires, pare down what the House thought should be done for orphan children, the aged, the blind, and the disabled, and what we thought should be done, to the point where the President might be willing to sign the bill.

The question may be asked, "Why put the amendment in this bill?" It is my judgment that if this amendment should go to the President as a separate piece of legislation he would probably veto it. Perhaps we could find the votes to override a veto. I do not know.

We were told last year, "If you want this bill signed, and want it to become law, rather than make an empty gesture, you had better take these provisions for the aged people, orphans, and so forth, out of the bill." The best we could do was more or less surrender, and spread the less adequate benefits out so that every State would receive some coverage.

Mr. CURTIS. Mr. President, will the Senator from Virginia yield to me?

Mr. BYRD of Virginia. I yield 5 minutes to the Senator from Nebraska.

Mr. CURTIS. Mr. President, we have before us for passage—we hope tonight—a bill to continue certain excise taxes and corporation tax rates. It is very important that that bill become law as soon as possible. The corporate rates could be enacted retroactively without any damage, but it is necessary if we are to avoid chaos in the business world, that the excise taxes continue without any break during that period.

The pending amendment is not a tax amendment. It deals with the public assistance provisions of the Social Security Act. This amendment, as written, was not offered in the committee, although something along that line, indicating an increase in public assistance payments, was brought up, and the committee turned it down by a vote of 10 to 4 or 10 to 5.

We must bear in mind that the old people of the country, the blind, and the orphans suffer more than anyone else by reason of inflation and the increased cost of living. What we do here toward sound fiscal policy is as important to them as legislation pertaining directly to their own benefit.

The pending amendment, if enacted, would result in an additional cost of $150 million—$150 million more deficit financing, $150 million more national debt.

It is interesting to note that perhaps $20 million or $25 million of that amount would reach all the States in the Union rather uniformly, but the remainder of it, about $120 million or $125 million of the additional cost, would reach the States in a selective manner, and many of the States would not benefit from it. Many of the States would be punished by reason of having to pay an additional amount.

We are dealing with a program with respect to which it is established that a part of the burden belongs to the States. For example, consider the old-age assistance. At present the Federal Government pays four-fifths of the first $30; and with respect to the amount above $30, it is matched on a variable formula based upon the per capita income of the States. The Federal share runs from 50 to 65 percent. The amendment offered by the distinguished Senator from Louisiana would change that variable formula from 50 to 70 percent. This would cost an additional $32 million. It would benefit 19 States, and 19 States alone. Not only would they gain in the formula; but many of those States have placed a greater portion of their aged upon the rolls.

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

Mr. CURTIS. I will yield briefly.

Mr. LONG. I know the Senator wants to be accurate. He said I would change the ratio from 50 to 70. In the context in which he is speaking it would change it from 65 to 70.

Mr. CURTIS. Yes; but the variable formula will be made at 50 and will run to 70.

Mr. LONG. It now begins at 50 and runs to 65.

Mr. CURTIS. Yes. When that formula is applied, it is applied very unevenly as to the States. I do not blame the Senator from Louisiana for offering the amendment because in his State of every 1,000 people who are over 65, 577 are on old age assistance. In my State, the number is 104; in Kansas, it is 134. In Virginia 59 people of every 1,000 who are over 65 are on old age assistance.

So by formula and by maximum payments and by election and determination of who is needy, this money is spent in an uneven manner.

One other thing which the amendment would do is to raise the average maximum of payment in which the Federal Government would participate. At the present time the $65 would be raised to $75. This would cost $90 million. I believe it would benefit directly 25 States. In other words, half the States would gain no benefit from the amendment.

This is a complicated and expensive proposal. Without a doubt it would involve some needy persons who are entitled to consideration. But I contend that they are entitled to a hearing. They are entitled to have the formula gone into. The States are entitled to a hearing, and the Federal Treasury is entitled to a hearing. None of that has happened.

I wish to read a paragraph from the budget message of the President for the fiscal year ending June 30, 1960. It is taken from page M–70:

> Under the authority of recent legislation, an advisory council is being appointed by the Secretary of Health, Education, and Welfare to study the whole structure and financing of our public assistance programs. I have asked the Secretary to present to this council, at the earliest possible time, the issue of what constitutes an appropriate Federal share in these programs. I have also requested him to develop recommendations, after consulting the council, which can be presented to the Congress to increase State and local participation in the cost of the public assistance programs beginning in 1961.

In this connection, I believe we must keep in mind the fact that the Federal share of such expenditures has increased to more than 57 percent on an overall basis and runs as high as 80 percent in many cases. I believe that this trend is inconsistent with our American system of Government. If it continues, the control of these programs will shift from our State and local governments to the Federal Government. We must keep the financing and control of these programs as close as we possibly can to the people who pay the necessary taxes and see them in daily operation.

The PRESIDING OFFICER. The time of the Senator from Nebraska has expired.

Mr. CURTIS. I urge the rejection of the amendment.

Mr. ALLOTT. Mr. President, will the Senator from Virginia yield me 4 minutes?

Mr. BYRD of Virginia. I yield 4 minutes to the Senator from Colorado.

Mr. ALLOTT. I would particularly like the attention of the Senator from Louisiana. I rise because my silence on this occasion might mean that I agree and acquiesce in some of the statements which he has made. I am certain he has been grossly misinformed. In the release which he has supplied, he states, in the last paragraph on page 1:

> The needy aged, blind, disabled, and orphaned children of every State in America would be benefited.

That is certainly not true with respect to Colorado. The aged in Colorado would not be benefited by 1 cent by reason of the amendment which the Senator from Louisiana has offered. The amount paid to our old-age pensioners is fixed by constitutional amendment. Already in Colorado we have had numerous arguments with the Department of Health, Education, and Welfare that the payments which they made to Colorado plus the payments which Colorado made exceeded the actual criteria of need which was contained in the original law.

So I am certain the Senator would not want to mislead the Senate with respect to the State of Colorado, because as to the aged in Colorado, the statement simply would not be true.

Mr. LONG. The Senator knows very well that if Colorado wants to adjust its affairs to pass along this extra $5 to the people of Colorado, it can do so. A constitutional amendment might be required. They have amended the constitution before to help the old people. They can do it again. They are not going to help them if they follow the Senator's advice. But Colorado can find a way to help its old people receive this amount if it really wants to do it.

Mr. ALLOTT. The Senator need not worry about the aged people in Colorado. We have shown more concern for them than almost any other State in the Union. We have taxed ourselves vigorously to do it, and we intend to keep on doing so. I am happy that I have had a part—and a strong part—in doing that.

If the Senator from Louisiana, is so mistaken about Colorado, certainly he may be just as badly mistaken about some other States.

I am completely aware of the fact that the Senator from Louisiana has tried many times on the floor of the Senate to make States which were making a desperate effort to support their less fortunate elderly people contribute to the States which were unwilling to bear their full share. I have seen this happen before. I do not agree with it. I think that when those States make a real attempt to take care of their aged persons, they should be entitled to share the benefits of the program equally. But I say to the Senator that in Colorado, at least—and I am certain it is true of California and some other States—that we have done our part to the best of our ability. It does not seem fair to me to call upon us, who have taxed ourselves vigorously to support these programs, to help support the aged, those in need of public assistance, in States which are unwilling to tax themselves equally for such support.

I yield back the remainder of my time.

Mr. LONG. Mr. President, would the leadership yield me 5 minutes on the bill? I should like to make a closing statement on my amendment.

Mr. BYRD of Virginia. I yield the Senator 5 minutes on the bill.

Mr. LONG. Mr. President, Congress passed last year a social security bill which did vast good for the retired, the aged, and the needy. I believe it helped practically every needy person on public welfare rolls. It declined to go along with the President's recommendations. The Senate declined to do so by a unanimous vote. If we had followed the President's recommendations, we would have done nothing, practically nothing for the aged, needy, and blind. In effect, the President would have had us tell the States: "You do more; because we are going to do less."

More than half the States in the Union are doing more for their aged than the Federal program er visions. Even if this amendment is adopted, there will still be about 19 States which will still be doing more for their needy, aged, blind, and disabled persons than the Federal program contemplates.

This is simply a matter of getting the Federal Government to move in stride with the States and to keep up with the States in their efforts to provide adequately for the needs of the aged. This is the type of thing which was advocated by the welfare services and welfare departments of almost every State in the United States. It is the type of thing which would help both the high-payment States and the low-payment States. It seeks to reach the problem from both ends. That is what was recommended to us.

Some Senators may say that their States have small caseloads; and they can do so if they want to.

All they have to do is to make the old people crawl to get that money and they can keep people off the rolls. Make old people swear publicly that their children refuse to help them, for example. Most old folks are very proud. They would rather go hungry than say that their children turned them down. They can be made to sign a lien on their little homesteads. They are so proud they will not take money under such conditions.

If States want to follow that kind of policy, they can have a very low caseload. But the State which I have the honor to represent, in part, is making an effort which will compare with that of Colorado or California and a number of other States which have made a really serious effort to provide for their needy and aged. But they are not the only ones. Most of the States in the Nation are making a very serious effort and are doing much more than the Federal contribution and the Federal program contemplates.

This is simply a matter of doing the type of thing which the welfare administrators have recommended to us; that which the House recommended to us; and that which our own Committee on Finance recommended to us last year.

At this time we are not confronted with a Presidential veto; last year we were. Justice delayed is not always justice denied. I hope the amendment will be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana.

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

The PRESIDING OFFICER. The absence of a quorum has been suggested; and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The question is on agreeing to the amendment of the Senator from Louisiana [Mr. LONG], which, by unanimous consent, are being considered en bloc.

On this question, the yeas and nays have been ordered; and the clerk will call the roll.

The legislative clerk called the roll.

Mr. ALLOTT. Mr. President, I am not sure whether the clerk heard me vote. Am I recorded?

The PRESIDING OFFICER. The Senator from Colorado is recorded.

Mr. ALLOTT. How is my vote recorded?

The PRESIDING OFFICER. The Senator from Colorado is recorded as voting in the affirmative.

Mr. ALLOTT. In the affirmative, Mr. President? Is it a fact that I am recorded as having voted in the affirmative?

The PRESIDING OFFICER. The Chair was in error; the Senator from Colorado is recorded as voting in the negative.

Mr. ALLOTT. I thank the Chair.

Mr. CURTIS. Mr. President, how am I recorded?

The PRESIDING OFFICER. The Senator from Nebraska is recorded as having voted in the negative.

Mr. SYMINGTON. Mr. President, how am I recorded?

The PRESIDING OFFICER. The vote has not yet been recapitulated; and until it has been recapitulated, it is not in

order for Senators to inquire how their votes have been recorded.

Mr. WILLIAMS of Delaware. Mr. President, how am I recorded?

The PRESIDING OFFICER. After the vote has been recapitulated, it will be in order for Senators to inquire how their votes have been recorded.

The clerk will proceed to recapitulate the vote.

The vote was recapitulated.

Mr. CASE of New Jersey. Mr. President, how am I recorded?

The PRESIDING OFFICER. The Senator from New Jersey is recorded as having voted in the negative.

Mr. CASE of New Jersey. I thank the Chair.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. McGEE] and the Senator from Montana [Mr. MURRAY] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business, as members of the U.S. delegation to Parliamentary Conference, in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. McNAMARA] are absent on official business, attending the ceremonies at the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illiness.

On this vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Alaska would vote "yea," and the Senator from Indiana would vote "nay."

I further announce that, if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. McGEE], the Senator from Michigan [Mr. McNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business, as members of the U.S. delegation to parliamentary conferences, in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the ceremonies at the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] and the Senator from New Hampshire [Mr. BRIDGES] are detained on official business.

On this vote, the Senator from Indiana [Mr. CAPEHART] is paired with the Senator from Alaska [Mr. GRUENING]. If present and voting, the Senator from Indiana would vote "nay," and the Senator from Alaska would vote "yea."

The result was announced—yeas 42, nays 36, as follows:

YEAS—42

Bartlett	Hill	Pastore
Bible	Jackson	Proxmire
Byrd, W. Va.	Johnson, Tex.	Randolph
Carroll	Johnston, S.C.	Russell
Cooper	Kefauver	Scott
Cotton	Kennedy	Smathers
Dodd	Kerr	Smith
Eastland	Langer	Sparkman
Ellender	Long	Stennis
Engle	McClellan	Symington
Frear	Magnuson	Talmadge
Gore	Mansfield	Yarborough
Hart	Monroney	Young, N. Dak.
Hartke	Neuberger	Young, Ohio

NAYS—36

Allott	Douglas	Lausche
Anderson	Ervin	McCarthy
Beall	Fulbright	Martin
Bennett	Goldwater	Morton
Bush	Hayden	Moss
Butler	Hennings	Mundt
Byrd, Va.	Hickenlooper	Robertson
Cannon	Hruska	Saltonstall
Case, N.J.	Javits	Schoeppel
Clark	Jordan	Thurmond
Curtis	Keating	Williams, N.J.
Dirksen	Kuchel	Williams, Del.

NOT VOTING—20

Aiken	Dworshak	Morse
Bridges	Green	Murray
Capehart	Gruening	Muskie
Carlson	Holland	O'Mahoney
Case, S. Dak.	Humphrey	Prouty
Chavez	McGee	Wiley
Church	McNamara	

So Mr. LONG's amendments were agreed to.

Mr. LONG. Mr. President, I move that the vote by which my amendments were agreed to be reconsidered.

Mr. JOHNSON of Texas. Mr. President, I move to lay on the table the motion to reconsider.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider the vote by which the amendments were agreed to.

The motion to lay on the table was agreed to.

Mr. GORE. Mr. President, I ask for order in the Chamber.

The PRESIDING OFFICER. The Senate will be in order.

Mr. GORE. Mr. President, I ask for order.

The PRESIDING OFFICER. The Senate will be in order so the Senator from Tennessee can address the Senate.

Mr. GORE. If my colleagues will accord me their attention, I will undertake to be brief.

I desire to address the Senate upon a matter of vital importance to every Senator, regardless of the side of the aisle upon which his desk happens to be.

Mr. President, I call up my amendment, identified as "6-24-59-B," and ask to have it stated.

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

The LEGISLATIVE CLERK. It is proposed, at the end of the bill, to add a new section, as follows:

SEC. Section 209(c)(1) of Public Law 627, Eighty-fourth Congress, is amended by striking from subparagraph (F) the word 'and'; by striking from subparagraph (G) the period and inserting in lieu thereof a semicolon; and by adding additional subparagraphs as follows:

"(H) 100 percent of the tax received after June 30, 1959, under section 4061 (tax on trucks, buses, automobiles, parts and accessories, etc.); and

"(I) 50 percent of the tax received after June 30, 1959, under section 4091 (lubricating oils, etc.)."

Mr. GORE. Mr. President, I shall suggest a modification of my amendment in a moment.

Mr. President, in 1956 the Congress of the United States, after a recommendation by President Eisenhower, enacted a bold, imaginative, large highway program, which we call the National System of Interstate and Defense Highways. It was supported by Republicans and Democrats alike.

I had the privilege of serving as chairman of the subcommittee which considered that legislation. I undertook, as I know my counterpart across the aisle will attest, to deal with this matter in a strictly nonpartisan way. I shall attempt to do so tonight.

On yesterday the President of the United States released a report which dramatically brings to the attention of the U.S. Senate and the country a crisis in the highway program. Let me read one sentence of the President's statement:

We are on the verge of a stalemate in the orderly development of our vital interstate road network.

Mr. President, I had prepared a speech. I have it here at the desk. But it is my view now that I can read a few sentences from the report released by the President, which will save the time of the Senate and bring home the crisis in the highway program more effectively than would my own words:

It is becoming increasingly urgent that we reach a sound and early solution to the problem of continuing the interstate highway program on schedule and without interruption.

Mr. President, an apportionment to the States for the interstate program is due to be made on July 1. Unless the Congress acts, the President tells us in this report, not one single dollar will be apportioned to any State in the Union for the Interstate System this year, and only one-fifth of the amount authorized to be apportioned next year will be apportioned. So we face a 2-year stoppage.

Let me read the words of this report:

It is now past the middle of June, and as matters stand there will be no apportionment for fiscal 1961 and only a small one not exceeding one-fifth of the authorized amount, for fiscal 1962.

As a result, during the next 3 months, 10 States will be unable to award further Federal-aid interstate contracts. These are: California, Connecticut, Florida, Illinois, Michigan, New Hampshire, New York, Ohio, Oregon, and Vermont.

By about the end of the year—

Listen to this, Mr. President—

By about the end of this year the interstate program will have reached a dead end,

as far as any new work is concerned, in 16 more States. These are: Iowa, Kentucky, Louisiana, Maine, Massachusetts, Missouri, New Mexico, North Dakota, Rhode Island, South Carolina, Tennessee, Utah, Washington, West Virginia, Wyoming, and the District of Columbia.

I read further:

Projecting a little further, our records show that 11 more States will have run out of interstate funds for new work by July 1960. These are: Alabama, Georgia, Indiana, Kansas, Maryland, Mississippi, Nevada, New Jersey, Pennsylvania, South Dakota, and Wisconsin.

In brief, all new interstate work will have been cut off in 36 States and the District of Columbia in about a year—

Notice, this says all new interstate work—

unless additional financing is provided very soon. The problem is even graver than these facts would indicate. Actually a 2-year interruption or sharp curtailment in apportionments would have the practical result of interrupting the advancement of the interstate program by about 3 years.

Mr. President, 34,000 persons were killed in wrecks on our inadequate highways last year. More than 1 million additional persons were crippled and maimed.

During World War II and the Korean war we postponed improvement of our highways. Despite the highway program, they have been growing worse instead of better. It is vital to the national defense, it is vital to the economy of our country, that the work be continued. One out of every seven persons employed in America earns his living from some phase of highway transportation. It is vital to our economy.

I know the State highway department in my State is geared to the scheduled program. The roadbuilding industry is geared to it.

What is to happen to our highway program? What is to happen to employment in our States? What is to happen to the organizations geared to a continuing program if there is to be a 3-year stoppage?

What does my amendment propose? It proposes to earmark an additional portion of the highway user taxes for the highway trust fund. I want to be perfectly candid with the Senate. As I see it, we have three choices: One, to let this program stop. Two, to earmark additional revenue from highway user taxes to the fund. Or, three, pass a bill increasing the gas tax by 1½ cents, as the President has recommended.

Senators can take their choice. This is the crisis we face. As for me, I have made my choice, which I am prepared to recommend to the Senate.

There is more than $1½ billion in annual revenue from highway user taxes which is not earmarked or dedicated to the highway trust fund.

Frankly, I doubted the advisability—at the time we created it—of creating a trust fund and earmarking funds. This is an unwieldy fiscal device. It hinders rather than helps the program, but we have created it. We have it.

What revenues from the highway user taxes are earmarked for the trust fund? Among others, one-half of the excise taxes on trucks and buses are earmarked, but none of the excise taxes on automobiles are earmarked.

It is said widely over the country that the highway users should pay for the highways. Are not automobiles the greatest users of the highways? Surely some portion of the excise tax on automobiles should be dedicated to the construction of these highways, if we are to follow a program of earmarking highway user taxes.

When I left the Committee on Finance yesterday afternoon and this report released by the President came to my attention, I immediately began to draft an amendment. Incidentally, I tried to obtain copies of this report for all Senators. I am sorry I was unable to obtain them in time.

The first insertion in the CONGRESSIONAL RECORD this morning was by the distinguished minority leader [Mr. DIRKSEN] who had this report printed in the RECORD. Senators will be reading it not only in the RECORD but also in their home papers.

If Senators will examine appendix 2, which I will pass around, they will see the amounts authorized to be apportioned this year to each State for the interstate program. Then in the next column Senators will see the amount which will be apportioned unless we act, which is zero for every State.

This report, released by the President, was inserted in the CONGRESSIONAL RECORD this morning. It contains a telegram from every State highway department.

I shall not go further in that regard, Mr. President.

Mr. President, the amendment which I drafted would dedicate all the revenues from the excise taxes on automobiles to the highway trust fund. Last night I thought that would be necessary, but today we have been able to confer with officials of the Bureau of Roads, who in turn have been in touch with the Treasury Department. We now find that one-half of the revenue from automobile excise tax, plus an additional 50 percent of the revenue from the truck and bus excise tax, plus the revenue from parts and accessories and lubricating oil excise taxes, will be sufficient.

Therefore, Mr. President, I send to the desk a modification of my amendment and ask to have it stated. The modification will provide that instead of 100 percent of the revenue from the automobile excise tax there be earmarked 50 percent of the revenue from this tax.

Mr. President, I ask unanimous consent that the amendment may be stated as modified.

The PRESIDING OFFICER. The amendment, as modified, will be stated for the information of the Senate.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to add a new section as follows:

SEC. 6. Section 209(c)(1) of Public Law 627, Eighty-fourth Congress, is amended by striking from subparagraph (F) the word 'and'; by striking from subparagraph (G) the period and inserting in lieu thereof a semicolon; and by adding additional subparagraphs as follows:

"(H) 100 percent of the tax received after June 30, 1959, under section 4061(a)(1) (tax on trucks, buses);

"(I) 50 percent of the tax received after June 30, 1959, under section 4091 (lubricating oils, etc.);

"(J) 50 percent of the tax received after June 30, 1959, under section 4061(a)(2) (tax on automobiles); and

"(K) 100 percent of the tax received after June 30, 1959, under section 4061(b) (parts, accessories, etc.)."

Mr. GORE. Mr. President, I should like to state the amounts involved. One-half of the revenue from the automobile excise tax will amount to $650 million in fiscal 1960. The additional 50 percent from the truck and bus excise tax will amount to $114 million. The tax on parts and accessories, as contained in the amendment, will amount to $170 million. Fifty percent of the tax on lubricating oils, which is the amount of lubricating oil tax revenue estimated to be attributable to highway users, amounts to $30 million. This will total $964 million. This is a large amount, but we are building a vast system of highways.

I should like to take 1 more minute to say that there are three steps in the highway construction program. First, the Secretary of the Treasury must make a finding that there will be available in the trust fund sufficient money for an apportionment before an apportionment can be made. Second, after the Secretary's finding an apportionment is made. Then, after the apportionment is made, our States can obligate the funds. The States can let their contracts. Then a year later, or 2 years later, when the work is underway and the project are being completed, the appropriations are made.

These three steps take a period of approximately 4 years. That is why, unless we make arrangements now, this program, as the President's report states, will come to a dead end.

I plead with the Senate not to let this program, so vital to the country, so vital to our national economy, so necessary to stop the carnage on our highways, and so vital to national defense, come to a dead end.

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

Mr. GORE. I yield.

Mr. SMATHERS. The $964 million, as I understand the Senator's amendment, would be taken from the receipts ordinarily going into the general funds in the Treasury; is that correct?

Mr. GORE. That is correct.

Mr. SMATHERS. Would that mean there would be $964 million less to be spent on such programs as defense programs, health programs, and the other programs for which we have voted previously during this session of Congress?

Mr. GORE. I have no wish to evade that question at all. The Senate has a choice. We shall either stop this program, or we shall dedicate additional funds to the trust fund, or we shall levy additional taxes. There is, perhaps, another alternative, which is to abolish the trust fund and pay for the program from the general fund.

As for me, I think there are few programs more essential than the highway program. After all, we have made moral commitments to our State governments. This is a 13-year program. Our States have made their plans, yet the program is about to come to a dead end. Who is going to be blamed for that if it occurs? Congress will be blamed for it.

Mr. CARROLL and Mr. YOUNG of North Dakota addressed the Chair.

Mr. GORE. If Senators will permit, I should like to finish my colloquy with the Senator from Florida.

Mr. SMATHERS. As I understand the Senator takes the position that the road program should assume, and justifiably assume, priority over any of the other programs for which the $964 million might have been committed by the administration.

Mr. GORE. I have two thoughts in that regard. I do not think it would be fair to levy an additional burden on the people who make their living from our highways, until we use for highway purposes the revenues from the highway user taxes we already have. Let me repeat, there is more than $1½ billion of highway user tax revenue which is not being used for highways. My amendment would provide that $964 million of the more than $1½ billion should be used for highway construction.

I have another thought, if I may be permitted to so state. It seems to me we have already increased revenues. The Senator and I participated in the passage of a bill to deal more realistically with the taxation of life insurance companies. We levied upon that profitable segment of our society a tax of approximately a half billion dollars. There are other ways whereby revenue can be raised, and there are possible reductions in appropriations which can be made more equitably and with less hurt to our national economy than would be caused by completely stopping the interstate highway program.

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

Mr. GORE. I yield.

Mr. CARROLL. If I correctly understand the facts and figures I have before me, there is a 3-cent Federal tax per gallon on motor fuel, which tax goes into the trust fund today. I am talking about the Federal highway trust fund. One billion five hundred and ninety-seven million dollars annually, in round figures, is going into the trust fund from motor fuel taxes. The automobile manufacturer's excise tax, that is, 10 percent on the manufacturer's price of automobiles, trucks, and buses——

Mr. GORE. Not from automobiles.

Mr. CARROLL. That is correct. I meant from trucks, buses, and trailers. This amount going into the trust fund is $110 million. The amount going to the fund from tires and tubes is $273 million. In any event, there is now going into the trust fund more than $2 billion, annually, but there is now going into the general fund almost $1½ billion from highway users. As I understand the amendment of the distinguished Senator from Tenessee, as applied to the State of Colorado, for example—and we are not in as serious a situation as some of the other States—unless we do something today about the emergency which the distinguished Senator has so clearly pointed out, if Colorado does not receive an apportionment by July 1st, my State cannot contract for interstate highway work for fiscal year 1961; and if we cannot contract for 1961 all funds will be shut off for that period. I think the Senator has stated the situation succinctly. We are facing a limited number of alternatives. Are we going to adopt an increase of 1½ cents in the gasoline tax? That is what the President wants. But, according to the reports in today's press, the chairman of the House Ways and Means Committee thinks there are other ways of meeting the situation. If I correctly understand the amendment of the distinguished Senator from Tennessee, he wants to take 50 percent of the automobile excise tax, which would amount to $650 million.

Mr. GORE. Which is just half of the revenue from this tax.

Mr. CARROLL. The remaining 50 percent of the manufacturer's excise tax on trucks, would add to the fund $114 million; parts and accessories, $170 million; lubricating oil, $30 million, and so forth. So we arrive at a total additional amount which would be added to the trust fund in 1960 of $964 million.

Let us assume that we take this half a loaf now. Let us see where we are going in the future. Would such action impair the trust fund? Would we have to meet the problem at another time? How far would this carry us into the future?

Mr. GORE. Unless we take action now, the situation will become worse. If we take action now, I think my proposal will be adequate.

Mr. CARROLL. I thank the Senator.

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

Mr. GORE. I should like to yield the floor. I yield 5 minutes to the Senator from Oklahoma. I promised the Senate that I would be brief, but I will yield.

Mr. MONRONEY. This matter of using the automobile excise taxes which have been coming into general revenues, and placing them in the highway trust fund is not necessarily a new or unusual procedure so far as the Federal Government is concerned.

Mr. GORE. The Senator is referring to the automobile excise taxes, is he not?

Mr. MONRONEY. Yes.

Mr. GORE. The Senator is correct.

Mr. MONRONEY. I wonder if the Senator has read the Hayden-Cartwright Act of June 18, 1934, which has been the law ever since. I refer particularly to section 12 of that act.

Mr. GORE. I am aware of it.

Mr. MONRONEY. I think the Senate should realize that this has been a restriction since 1934, which we have imposed upon the States, requiring that the highway user tax be spent on highways. This act has been enforced against the States to compel the use of State highway user tax revenue on the highways. Let me read section 12:

SEC. 12. Since it is unfair and unjust to tax motor vehicle transportation unless the proceeds of such taxation are applied to the construction, improvement, or maintenance of highways, after June 30, 1935, Federal aid for highway construction shall be extended only to those States that use at least the amounts now provided by law for such purposes in each State from State motor vehicle registration fees, licenses, gasoline taxes, and other special taxes on motor-vehicle owners and operators of all kinds for the construction, improvement, and maintenance of highways and administrative expenses in connection therewith, including the retirement of bonds for the payment of which such revenues have been pledged, and for no other purposes, under such regulations as the Secretary of Agriculture—

Now the Bureau of Public Roads—

shall promulgate from time to time: *Provided*, That in no case shall the provisions of this section operate to deprive any State of more than one-third of the amount to which that State would be entitled under any apportionment hereafter made, for the fiscal year for which the apportionment is made.

Mr. GORE. I believe that is known as the Hayden-Cartwright Act.

Mr. MONRONEY. That is correct. It was enacted in 1934, and became effective in 1935.

Mr. GORE. I thank the Senator for pointing it out.

Mr. HART. Mr. President, will the Senator yield for a very brief question?

Mr. GORE. I yield.

Mr. HART. I voice a concern which I think those directly involved in automotive production will express when they hear that the Senate is seriously approaching a further earmarking. I am asking these questions in the hope that my interpretation of the oral explanation is correct.

The protest, of course, is based upon the fact that if we earmark this excise, we defer and delay still further any reasonable anticipation that an excise tax which was imposed because of an emergency condition will be removed. We lock up the situation.

Is it not true that the Senator from Tennessee is proposing to earmark 50 percent of the automobile excise taxes, and not the full amount? I understand that to be the case.

Mr. GORE. Let me explain the situation.

The Senator realizes, as I do, that the pending bill would extend for another year the automobile excise tax at a rate of 10 percent. The permanent law, so to speak, provides an excise tax of 7 percent. The table which I have prepared, which was prepared in cooperation with the Bureau of Roads, at my request—I wish to make that clear, because the Bureau did not urge me to prepare it, but it has cooperated at my request—contemplates a reduction in the excise tax on automobiles to 7 percent after this year; and the fund still comes out, at the end of 5 years, with a bare surplus of $73 million for this huge fund.

Mr. HART. Then it is correct that the Senator proposes to earmark only 50 percent of whatever the excise may be, and he anticipates the elimination of the 3 percent so-called Korean excise next year, at the expiration?

Mr. GORE. That is correct.

Mr. HART. If we were to eliminate the 3 percent Korean excise tonight, we would still find that the trust fund would be the beneficiary of 50 percent of the remaining excise.

Mr. GORE. The Senator is correct.

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

Mr. GORE. I yield.

Mr. RANDOLPH. I shall speak for only 1 minute.

Mr. GORE. I yield 1 minute to the Senator from West Virginia.

Mr. RANDOLPH. Senate bill 1826, a measure which proposes an approach to this problem, was introduced by myself. I was joined by the Senator from West Virginia [Mr. BYRD] and 14 other Members of this body. It is not my desire tonight to labor this point. I had a speech prepared, as did the Senator from Tennessee. Because I believe that there was an importance attached to this speech, I ask unanimous consent that my statement be printed in the RECORD at this point as a part of my remarks.

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

STATEMENT BY SENATOR RANDOLPH

Congress was correct in its 1956 statement that the early completion of the Interstate System is essential to the national interest. Every study made since 1956 has emphasized the needs on which that statement was based.

For example, in 1956 we proposed to embark on a program based on the estimated needs of 1975 traffic, and we estimated that by 1975 we must possess roads adequate to carry 1 trillion vehicle-miles of traffic. Just 2 months ago, the Secretary of Commerce submitted to Congress a new study on "The Federal Role in Highway Safety" (House Doc. 93) in which the 1975 traffic volume is estimated at 1.171 trillion vehicle-miles, or 17 percent more traffic than we had anticipated from the best estimate available 3 years ago.

The benefits are so diffused throughout our economy, that there is hardly any human activity that is not affected one way or another by the improvement of highways.

Years ago, we built roads to get the farmer out of the mud and I think that we have nearly achieved that objective. In so doing, the roadbuilders have given the farmer a degree of mobility that was undreamed of a few decades ago. There is no question but what this mobility, this bridging of the gap between the farmer and his market, and between him and his sources of farm supplies, has contributed to the great increase in agricultural productivity. The farmer produces more and lives better because roads have ended his isolation. The benefits have not been exhausted. We continue to need better roads in agricultural areas, and such roads must be capable of carrying farm products longer distances to markets in shorter times.

The significant benefits of mobility must also be granted to the urban dweller. There was a time, not so long ago, when factory workers crowded together in slums close to the places where they worked, or along the trolley lines. With the use of the automobile, the worker gained a wider choice of areas in which to live—he could reside anywhere within driving distance of his place of employment. We are working now to improve the mobility of the worker through the construction of freeways and expressways to carry him from one side of a large city to the other side in a matter of minutes. This mobility has many social, cultural, and economic advantages. Here is one in particular—during times of economic readjustment, when many a workingman is forced to join the ranks of the unemployed, increased flexibility of travel means that he can range farther in search of a job, and that he can take that new job without necessarily giving up his old home. Good roads increase the adjustability of the labor force, giving the worker a wider choice of jobs and giving the industrialist the benefit of a larger labor pool from which to draw.

The mobility of the working force is one of the reasons that we find new industries locating along the freeways. Another reason is that the freeways provide easy access to markets. Still another reason is that controlled access highways afford remarkable economies in the costs of transporting freight to and from the plant site. It has been estimated that more than $650 million worth of industrial, commercial, and residential development has been attracted to sites along the 538-mile New York Thruway, and there are similar reports from other freeways which afford controlled-access fast transportation to major markets and sources of supply.

Such industrial development is necessary to keep pace with the population growth, with the ever increasing demand for new consumer products, and with the requirements of the national defense. Highways are a key to progress—and this is one key that we cannot afford to keep in our pocket. If we do not acept the challenge of the future, our nation shall slide backwards.

I recommend the completion of the Interstate System because we need the finished product. Before leaving, however, let us consider a point that holds a personal concern for me because of the high level of unemployment in West Virginia. Highway construction is a splendid generator of employment, and in our State we need to have thousands of men at gainful work.

This point is well known; in fact, this is one of the reasons that our highway system is in such urgent need of extension and rebuilding. During World War II, when there was a vast shortage of manpower, we were forced to virtually halt all civilian road construction. Materials were short too, of course, but even if these had been available we would have found it difficult to recruit the manpower for even a limited roadbuilding program.

The Department of Labor has estimated that an increase of a billion dollars in the highway construction program results in an employment increase of 102 million man-hours on the site of the construction and 126 million man-hours off the site. This is a high amount of employment generated per dollar spent. The employment so generated is well distributed geographically. When we speak of spending a billion dollars, the "site of the construction" actually is many sites, located in many States. Nor is there any dominant geographic center for the manufacture of construction equipment and materials; the demand for these products will generate employment in many areas.

Today, we are in a period of surplus labor. In West Virginia approximately 10 percent of our potential work force is unemployed. The manpower is available to build the highways, and the human beings represented by the impersonal term "manpower" need the work. We are also in a period when the need for highways is intense, perhaps more acute than it has ever been. Now, when we need them and have the resources to build them, is the time for building highways.

Mr. RANDOLPH. I shall support the amendment offered by the Senator from Tennessee.

Mr. GORE. I thank the Senator. I have read his statement. The Senator's 14 years experience in the House of Representatives, during which he made valuable contributions to highway legislation, stands him in good stead. The proposal embodied in his bill is indeed a constructive approach to the problem.

Mr. ROBERTSON. Mr. President, will my colleague yield to me for 5 minutes?

Mr. BYRD of Virginia. Mr. President, I yield 5 minutes to the junior Senator from Virginia.

Mr. ROBERTSON. Mr. President, I rise in opposition to the pending amendment. Thanks to the wisdom and able leadership of the senior Senator from Virginia, Virginia's highways were built on a pay-as-you-go plan; and without undue boasting, let me say that the junior Senator from Virginia believes that they compare favorably with the highways of any other State of similar size and general resources.

The senior Senator from Virginia wrote the same plan into the highway bill. It was the Senator from Tennessee who set it aside, when he got the Senate to borrow 2 years against anticipated funds. Both Senators from Virginia voted against that proposal, because we anticipated that if we stepped up the program by 2 years, it would be dropped back 2 years or more.

We would borrow from the general Treasury, or be compelled to increase the gasoline tax. We are now faced with that very contingency, which we anticipated when we voted against stepping up the program. It was stepped up on the assumption that we were in the midst of a great depression, and that stepping it up would help to relieve unemployment. But it did not do it. Unemployment was over last April.

The Senator from Tennessee has made three strong, bitter speeches against high interest rates. He has condemned the Treasury Department for proposing that the rate be increased to 4½ percent, and yet all the economists tell us that the cause of high interest rates is deficit financing. The Senator from Tennessee wants to add another $1 billion to the deficit we already face—for what purpose? To save our hides from being destroyed by bombs? No; to enable us to travel between the States a little faster than we now can on the three- and four-lane highways such as we have in Virginia.

The Senator from Tennessee proposes to add $964 million to the deficit. He brought us a bill today providing that the debt limit be increased to $295 billion. The interest cost on the debt at present is twice what the entire expense of the Government was when the junior Senator from Virginia came to Congress in March 1933. The interest cost at present is more than $8 billion.

In the past year we have lost $2,200 million of gold; and no small part of that has left us because of an uneasiness about the stability of our currency.

When the Under Secretary of the Treasury informed me last week that he would have to transfer some $340 million of gold in the International Monetary Fund, I asked him about the drain on the gold. Here is the situation: It

takes $12 billion of gold to meet a 25 percent backing of our currency. It used to be 40 percent. For the first time in 20 years, we have less than $20 billion of gold left. It takes $12 billion to meet our 25 percent.

Foreign nations have $8 billion which they can demand. Thank goodness, they do not do it. There is about $6 billion they cannot demand. But they can turn it over to their governments. That will make a total of $14 billion which could be demanded against $19 billion of gold.

Is it any wonder that those who are looking to the future are saying, as insurance against the erosion of the dollar, "Pay us more interest if you want us to wait 10, 15, or 20 years to get our money back, because it may come back to us in 10-cent dollars."

I asked the Under Secretary of the Treasury what the answer was to this situation. He said, "There is but one answer. Stop deficit financing."

I tell Senators: There is the emergency. Yes, there will be an emergency for those who are looking for boulevards and divided highways. The situation is distressing, because these highways will not protect anyone from drunken drivers, and it is the drunken drivers who cause more accidents than any others. But the distressing thing is inflation. What will 1 percent of inflation do? Talk about not letting the interest rate go up one-quarter of 1 percent. The House said, "We are not going to do it." That means it will not be possible to float any more long-term bonds. Let anyone inquire of the bankers. He will find there is more demand for money than there is for goods and services. That pushes up prices.

I am talking now about inflation. What will 1 percent do to the consumers of the country? It will cost them $3 billion a year, because they are spending $300 billion, and 1 percent of that is $3 billion. And deficit financing is the way to impose it on them.

We have struggled and struggled at this session to keep appropriations down, except in the case of heart disease and cancer research, and we thought with respect to that item it was necessary to go above the budget estimate. Even though we have gone $365 million above the budget figure on that appropriation, we are still below the budget total.

While we hope to wind up within the budget, the Senator from Tennessee strikes a body blow at the budget. He puts inflation on the wings of the morning. Then he rises and makes another speech to the effect that we cannot stand for high interest rates; we will not let the Government pay 4½ percent.

I voted against accelerating the highway program. I am against this amendment because, however much I might want to see accelerated programs for the super-duper highways, such highways will be very dislocating to business all over the Nation. The complaints all over Virginia are terrific. Such highways break up motels and other businesses. Once a person starts on a trip to Florida, he will not even see the Blue Ridge Mountains. [Laughter.]

Mr. SMATHERS. Amen.

Mr. ROBERTSON. The seriousness of the situation which confronts us is that this is deficit borrowing. The Treasury simply cannot borrow on reasonable terms. I am told that there is but one answer, and I know it is right. We must balance the budget so that we will not have to borrow. I feel sure that the Senate will not adopt this amendment which will add a billion dollars to the deficit.

Mr. DIRKSEN. Mr. President, I yield myself 5 minutes on the bill.

I remember the dulcet pleas in 1956 for a great grid of concrete across the country: No offensive billboards; wide thoroughfares; contributions to safety; and, sweetest of all, pay-as-you-go. That is what we said. The Senate welkin fairly rang with this appeal. It was a wonderful program—pay-as-you-go. Forty thousand miles of roads.

Then in 1958 we talked about a speed-up of the program. It must take on acceleration.

First, we said we would raise the money in 13 years and build the system of highways in 16 years. But we should do better, because the touch of recession, the blight of recession, was on the land, and there must be more jobs; and while we were talking about a speedup, the man who knows most about it, Bertram Tallamy, was warning the Senate and the House that we were headed for trouble—for fiscal trouble—on the highway program.

We ignored it. We paid no attention to Tallamy. We went right ahead despite that warning from the man who knows best.

Suddenly we find ourselves on the escalator. The original estimate of the cost for the Federal share was $25 billion. What is the most recent estimate? The Federal share now is $34 billion. It is up $9 billion. That is Tallamy's estimate.

Did we pay any attention to it? Do Senators know what another body did? They said, "Oh, that is wonderful. We will simply add $300 million to the annual allocation for 1 year. We will add a thousand more miles to the program, to cost another billion dollars, but we will not supply the money." That is what was said. That is why we are in trouble.

Comes the Senator from Tennessee [Mr. GORE]. He has the answer. "Eureka. I know what to do. I will just blow a hole in the budget to the tune of $964 million."

That is the proposal which is before us. Take it out of automobiles, tubes, lubricating oils. Divert it from the general revenues and put it into the trust fund. But what about the hole? It is still there, and it will be there and will show up like the big hole it is in the budget on the 30th day of June 1960.

Is that going to be the solution? The distinguished majority leader remembers so well old Dr. Eaton, of New Jersey, when we were in the House. I remember one day when he told a story about the teacher who assigned a problem to one of the children in the school.

He said, "Johnny, suppose a cat fell in a well a hundred feet deep, and for every foot that it climbed up, it fell back 2 feet. How long would it take for the cat to get out of the well?"

After 30 minutes, Johnny raised his hand and said, "Teacher, if I can have another slate and a few more slate pencils, and if you will give me another 30 minutes, I am quite sure I can land that cat in hell." [Laughter.]

Mr. President, the highway deficit is going to climb up $964 million this year, but a year from now it will probably be $2 billion behind the eight ball. Then what? Will the distinguished Senator from Tennessee come forth then and blow a $2 billion hole in the budget?

I will tell the Senate what he is going to do tonight. He is going to blow a hole in our tax bill.

We talk so much about vetoes. If ever I saw an invitation to a veto, it is tonight. If I were sitting in the Presidential chair, I would not have to say it twice or think about it twice. I would know what I would do when I read the headlines and learned that the Senate had approved the blowing of a nuclear hole in the budget, because $964 million is certainly nuclear in my book. Senators can take their choice. That is all I have to say.

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

Mr. DIRKSEN. I yield 3 minutes to the Senator from California.

Mr. KUCHEL. I remember the 84th Congress. I remember the recommendation of President Eisenhower and the committee of specialists which he appointed. I remember the manner in which the Senate Committee on Public Works, certainly on a nonpartisan basis, considered and approved the beginning of the Interstate Highway System of 41,000 miles of high speed, limited access roads; a system having the overtones of the necessities of America's defense.

Finally, in 1956, Congress passed the Interstate Highway law, under which the Federal Government would pay 90 percent of the cost of the multibillion dollar highway program, which as suggested by the distinguished junior Senator from Illinois [Mr. DIRKSEN] now involves some $34 billion of Federal money.

Ample credit was due both the Republican Party and the Democratic Party when that legislation was enacted, and I think tonight there is adequate responsibility which ought to be assumed if the Republican and the Democratic Members of the Senate are to render the sound and courageous decision which this great American problem requires.

The Senator from Tennessee [Mr. GORE] has suggested that the Congress has three alternatives. I agree.

First of all, we can walk away from this problem; we can can say, "Let the interstate highway program die." We can walk away from the problem, and can let one segment of the Interstate Highway System exist in one State, and one segment exist in another State, and one segment in still another State, but, seeing such a patchwork, we can refuse to do anything to remedy the situation, we can simply decline to face up to the hard facts. What a shame that would be.

Or we can do what the distinguished minority leader [Mr. DIRKSEN] has referred to, we can accept the present ill-conceived amendment, and see enacted into law a "Rob Peter" proposal, taking moneys from the general fund and diverting them to the special highway fund, and thus let the general fund be forced deeper and deeper into debt, with all the ugly responsibility of borrowing more money to pay the bill.

There is a third alternative; and my friend, the minority leader, has suggested it. It should be, and will be, a bipartisan alternative and a bipartisan means of solving this problem. That alternative will be before us in a few minutes, outlined by the junior Senator from Oregon, if we assume that the proposal now before us is defeated—as I hope will be the case. In that event, we shall have an opportunity to stand up and be counted, on the question of supporting the President's honest recommendation for a temporary increase in the gasoline tax for a limited period of time.

The honest thing to do is to approve the recommendation of the President, and go forward with speedy construction of the Interstate System.

Mr. JOHNSTON of South Carolina. Mr. President, I wish to ask a question. I wonder what the Senate is going to do when it is asked to decide how many billions of dollars will be sent overseas—in view of the condition the country is in today, and in view of the pressing domestic needs which are facing us.

Mr. DIRKSEN. Mr. President, in all candor and fairness, I think I should say to the distinguished Senator from Tennessee that I would propose that his amendment be laid on the table; but I would not propose that until he has had an opportunity to say whatever he wishes to say on this subject. However, I think I should notify the Senator from Tennessee that I think that is the best way to come to grips with this matter.

Mr. GORE. The Senator from Illinois would not attempt to prevent other Senators from speaking on this subject, would he?

Mr. DIRKSEN. No.

Let me also state that I have an amendment in the nature of a substitute which I wish to submit.

Mr. NEUBERGER. Mr. President, I, too, have an amendment in the nature of a substitute which I wish to submit.

Mr. GORE. Mr. President, under the agreement, 10 minutes remain under my control. At this time, I yield to the Senator from Oregon.

The PRESIDING OFFICER. The Senator from Oregon is recognized.

Mr. NEUBERGER. Mr. President, I am not sure what the parliamentary situation is. I have an amendment in the nature of a substitute which I wish to offer; but I do not wish to do so if some other Senator has a right to the floor before I offer my amendment.

My amendment is at the desk. If it is in order for me to call up the amendment at this time, I now call up my amendment in the nature of a substitute.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. It is proposed to insert at the end of the bill the following:

Sec. 7. Temporary increase in tax on gasoline and other motor fuels.

(a) Section 4081(a)(1) of the Internal Revenue Code of 1954 (relating to tax on gasoline) is amended by striking out "a tax of 3 cents a gallon." and inserting in lieu thereof the following: "a tax of—

"(1) 3 cents a gallon, in the case of gasoline so sold before July 1, 1959, or on or after July 1, 1961, or

"(2) 4½ cents a gallon, in the case of gasoline so sold on or after July 1, 1959, and before July 1, 1961."

(b)(1) Section 4041(a) of the Internal Revenue Code of 1954 (relating to tax on diesel fuel) is amended—

(A) by inserting after the first sentence thereof the following new sentence: "In the case of any such liquid so sold or used on or after July 1, 1959, and before July 1, 1961, the tax shall be 4½ cents a gallon, in lieu of 3 cents a gallon.";

(b) by insterting after "3 cents a gallon" in the third sentence of such section (as amended by paragraph (1)) ", or 4½ cents a gallon, whichever is applicable"; and

(C) by inserting after "1 cent a gallon" in the fourth sentence "or 2½ cents a gallon, whichever is applicable,".

(2) Section 4041(b) of such Code (relating to tax on special motor fuels) is amended—

(A) by inserting after the first sentence thereof the following new sentence: "In the case of a liquid taxable under this subsection so sold or used on or after July 1, 1959, and before July 1, 1961, the tax shall be 4½ cents a gallon, in lieu of 3 cents a gallon.";

(B) by inserting after "3 cents a gallon" in the third sentence of such section (as amended by paragraph (1)) ", or 4½ cents a gallon, whichever is applicable"; and

(C) by inserting after "1 cent a gallon" in the fourth sentence "or 2½ cents a gallon, whichever is applicable,".

(3) Section 4041(c)(2) of such Code (relating to rate reduction in 1972) is amended by striking out "second and third sentences" and inserting in lieu thereof "third and fourth sentences".

(c)(1) Section 4226(a) of the Internal Revenue Code of 1954 (relating to floor stocks taxes) is amended by adding at the end thereof the following new paragraph:

"(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1½ cents a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline."

(2) Section 4226(d) of such Code (relating to due date of floor stocks taxes) is amended to read as follows:

"(d) DUE DATE OF TAXES.—The taxes imposed by subsection (a) (other than by paragraph (5) of such subsection) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate. The tax imposed by paragraph (5) of subsection (a) shall be paid at such time after September 30, 1959, as may be prescribed by the Secretary or his delegate."

(d) Section 6412 of the Internal Revenue Code of 1954 (relating to floor stocks refunds) is amended by redesignating subsection (e) as (f), and by inserting after subsection (d) the following new subsection:

"(e) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—Where before July 1, 1961, gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place or intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline."

(e) Section 6416(b)(2) of the Internal Revenue Code of 1954 (relating to special cases in which tax payments considered overpayments) is amended—

(1) by inserting after "3 cents" in subparagraphs (H), (I), and (J) "or 4½ cents"; and

(2) by inserting after "1 cent" in subparagraphs (H), (I), and (J) "or 2½ cents, whichever is applicable,".

(f) Section 6421 of the Internal Revenue Code of 1954 (relating to gasoline used for certain nonhighway purposes or by local transit systems) is amended—

(1) by inserting after "1 cent" in subsections (a) and (b)(1) "or 2½ cents, whichever is applicable"; and

(2) by redesignating subsection (i) as (j), and by inserting after subsection (h) the following new subsection:

"(i) GASOLINE PURCHASED AFTER JUNE 30, 1959, AND BEFORE JULY 1, 1961.—In the case of gasoline purchased after June 30, 1959, and before July 1, 1961, the applicable amount under subsections (a) and (b)(1) shall be 2½ cents for each gallon of gasoline."

(g) Section 209(f) of the Highway Revenue Act of 1956 (relating to expenditures from trust fund) is amended by adding at the end thereof the following new paragraph:

"(5) 1961 FLOOR STOCKS REFUNDS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to 100 percent of the refunds made under section 6412(e) of the Internal Revenue Code of 1954 in respect of gasoline subject to tax under section 4081 of such Code."

Mr. JOHNSON of Texas. Mr. President, how much time does the Senator from Oregon think he will need to present his amendment in the nature of a substitute?

Mr. NEUBERGER. I think I can explain it in 10 minutes.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that 15 minutes be allowed for debate on the amendment in the nature of a substitute to be submitted by the Senator from Oregon, with the time to be divided equally between the chairman of the committee and the proponent of the amendment.

Mr. NEUBERGER. That arrangement would allow me 7½ minutes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, before the time available on the amendment in the nature of a substitute

begins to run, let me inquire whether there are other amendments which Senators may expect to call up.

Mr. HART. I have an amendment which I expect to call up, and which I wish to discuss very briefly.

Mr. JOHNSON of Texas. How long does the Senator from Michigan think he will need to discuss his amendment?

Mr. HART. Actually, the debate on it has already occurred. So about one minute will be sufficient at this time.

Mr. JOHNSON of Texas. Fine.

Then, Mr. President, if 15 minutes are used on the amendment in the nature of a substitute, which the Senator from Oregon has called up, and if one minute is used for the amendment to which the Senator from Michigan has referred, I hope it will be possible for the Senate to complete its action on the bill tonight; and then we shall be able to go over until Monday.

Therefore, Mr. President, I ask that the Senate remain in session, even though the hour is late, in view of the likelihood that we shall be able to complete action on the bill tonight.

The House of Representatives will be in session tomorrow; and I hope the House will then agree to a conference on this bill.

So, Mr. President, in the event the Senate is able to complete its action on the bill tonight, we shall be able to go over, after this session, until Monday.

Mr. DIRKSEN. Mr. President, will the majority leader yield?

Mr. JOHNSON of Texas. I yield.

Mr. DIRKSEN. I do not know whether I obtained a mistaken impression today, that there is a possibility that we shall go over from tonight until Monday.

Mr. JOHNSON of Texas. That is correct; if we are able to complete action on the bill, we shall do that.

Mr. DIRKSEN. Very well. In that event, I am confident that all Members will be glad to remain tonight until our action on the bill is completed.

Mr. NEUBERGER. Mr. President, on the question of agreeing to my substitute, I ask for the yeas and nays.

Mr. ALLOTT. First, Mr. President, may we have an opportunity to understand what is proposed by means of the substitute?

Mr. NEUBERGER. My substitute amendment calls for increasing the motor fuels tax from 3 cents a gallon to 4½ cents a gallon until July 1, 1961.

Mr. President, on the question of agreeing to my amendment in the nature of a substitute, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

The yeas and nays were ordered.

Mr. NEUBERGER. Mr. President, on this question, I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator from Oregon is recognized for 4 minutes.

Mr. NEUBERGER. Mr. President, I have prepared a statement in explanation of the reasons for offering the amendment in the nature of a substitute. I submit that statement, together with memoranda, selected editorials, and communications, and ask that all of them be printed at this point in the RECORD.

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

STATEMENT BY SENATOR NEUBERGER

My amendment would impose for a period of 2 years an additional levy of 1½ cents on the sale of gasoline, diesel fuel, and special motor fuels, the proceeds to be channeled into the highway trust fund for expenditure in connection with the Federal share of costs of the highway program initiated by Congress in 1956.

The situation which we face with respect to the highway program is, very simply, this:

Expenditures from the highway trust fund are currently exceeding revenues. If there is a continuation of apportionments of existing authorizations, it is expected that this discrepancy will continue through fiscal year 1962, at which time there will be a deficit in the fund of approximately $2 billion. An expenditure-revenue balance is anticipated in fiscal year 1963.

In 1958, Congress suspended, for fiscal years 1959 and 1960, the Byrd amendment limiting apportionment to the States to funds available in the fund, and increased authorizations for fiscal years 1959 through 1961. But no additional revenues were provided.

Now the Secretary of Commerce reports that he will be unable to apportion any interstate funds for fiscal year 1961 and only $500 million for fiscal year 1962.

Normally these apportionments take place a year in advance of the authorization year, that is, the fiscal year 1961 apportionment would be made next month.

I attach to this statement a memorandum, prepared by the staff of the Senate Public Works Committee, discussing the details of this financial situation.

If corrective action is not taken by Congress this year the interstate program cannot continue on schedule. Many State programs will grind to a halt.

Yesterday the Bureau of Public Roads reported that 10 States will be compelled to stop letting new contracts for interstate highway projects this summer if Congress does not come up with a solution immediately. My State is 1 of the 10. Oregon's funds for interstate projects will be exhausted by September or October, and the State highway commission announced last week that the scheduled opening on July 1 of bids on 16 projects may be postponed.

I also attach to this statement at this point a story from the New York Times of June 25, 1959, reporting on the situation faced by the States.

The Bureau of Public Roads predicts a drop in contract awards of 40 percent this fall. It is estimated that failure to make authorized apportionments this summer and next would result in unemployment amounting to a loss of 641,250 man-years of labor and delay the interstate program as much as 3 years.

Industrial expansion and community planning keyed to Interstate Highway System construction would be disrupted.

The preservation of 4,000 lives which safety engineers estimate will be saved annually as a direct result of safety features on the Interstate System will be postponed.

In 1958 Congress indicated its desire to maintain as closely as possible the target dates established in the original Highway Act. To fail to do so now would be a disservice to the Nation.

Several methods of dealing with the present emergency and maintaining the originally contemplated schedule are available. They include:

1. Allocation of certain excise taxes to the trust fund.

2. Drawing on the general fund.

3. Borrowing of necesasry funds through special bonds or reimbursable advances.

4. Increasing the tax on motor fuels and earmarking receipts for the Highway Trust Fund.

If the first solution were employed, there would be a loss of revenue to the general fund which would have to be filled by other taxes or deficit financing unless some Government programs were curtailed.

Financing the trust fund deficit through the general fund would mean an increase in the expense of the program because of interests costs unless taxes were increased. Similar additional expense would result from issuance of special bonds or reimbursable advances backed by future trust fund receipts.

For these reasons, a temporary increase in the motor fuel tax would seem advisable. It has been suggested that consideration of a long-range solution to the problem of financing the highway program launched in 1956 be delayed until 1961 when Congress will have available a new estimate of costs of the Interstate System and the highway cost allocations study reviewing the distribution of taxes among highway users and the benefits which accrue to other beneficiaries.

I believe that such a review would be a highly beneficial thing. For this reason, I have proposed in my amendment that the 1½-cent increase in the motor fuel tax expire automatically at the end of 2 years. This would provide Congress with an opportunity to study further financing of the program in terms of adequacy and equity.

But in the interim, I think we should solve the short-range problem by imposition of a temporary increase in the motor fuels tax.

I also attach to this statement letters which I have received from the Oregon State highway engineer, together with editorials from several prominent newspapers, in my State and elsewhere, supporting this position.

FEDERAL-AID HIGHWAY ACTS: COST OF PROGRAMS AND STATUS OF TRUST FUND

The Federal-Aid Highway Act of 1956 authorized additional funds for fiscal year 1957 for the regular Federal-aid systems and continued the program on those systems through 1958 and 1959.

The amounts for these years are as follows: $125 million additional for fiscal year 1957; $850 million for fiscal year 1958, $875 million for fiscal year 1959.

Matching for these categories is on a 50–50 basis, adjusted for sliding scale for public land States.

The 1956 Federal-Aid Highway Act authorized funds for the Interstate System in the amount of $24,825 million, which, added to the $175 million authorized by the 1954 act, would make a total of $25 billion. Matching for the Interstate System is on a 90–10 basis, with adjustments for the public-land States. On the basis of the matching ratio established, a total of about $27½ billion would be available for the Interstate System.

When the 1956 Highway Act was being considered, testimony given indicated that it would cost about $23 billion to complete some 37,600 miles of a 40,000-mile authorized system. The witness, Gen. Lucius D. Clay, further stated that to provide arterial connections the cost would increase by about $4 billion, making the total cost of the system about $27 billion.

The 1956 act authorized $101 million for forest highways and development roads and

trails, national park roads, trails and parkways and Indian reservation roads and bridges for fiscal years 1958 and 1959. The act also authorized an additional $2 million for fiscal year 1957 and a like sum for fiscal years 1958 and 1959 for public lands highways.

Title II of the Federal-Aid Highway Act of 1956, which is designated as the "Highway Revenue Act of 1956" was designed to raise revenue from new and existing highway-user taxes to provide for Federal highway expenditures and to place such revenues in a special highway trust fund. For the 16-year period beginning July 1, 1956, and ending June 30, 1972, it is estimated that receipts to be paid into the trust fund would amount to $38,915,000,000.

Section 209(g) of title II which is the so-called Byrd amendment, provides that the Secretary of the Treasury, after consulting with the Secretary of Commerce, shall periodically estimate the amounts which will be available in the trust fund to meet the required expenditures from the fund. If the funds remaining in the trust fund, after all other required expenditures from the trust fund have been made, is insufficient to meet the expenditures for the Interstate System resulting from authorized apportionments, the Secretary of Commerce shall reduce the apportionments to an extent sufficient to come within funds available.

The Federal-Aid Highway Act of 1958 provided authorizations as follows:

1. Increased authorization by $400 million for fiscal year 1959 for the A-B-C roads. These funds would be matched on a two-thirds-one-third basis, and includes $115 million for advances to States to assist them in matching the Federal funds up to two-thirds of the States share, these funds advanced to be repaid by deductions from the State's apportionment for fiscal year 1961 and 1962.

2. Authorized $900 million for the A-B-C system for fiscal year 1960.

3. Authorized $925 million for the A-B-C system for fiscal year 1961.

4. Authorized $11 million additional funds for fiscal year 1959 for forest highways, forest development roads and trails, and public lands highways.

5. Authorized $112 million for fiscal years 1960 and 1961 for forest highways, forest development roads and trails, roads and trails in national parks, parkways, Indian reservation roads and bridges and public land highways.

6. The authorizations for the interstate program was increased from $24,825 million to $25,625 million, or a total increase of $800 million. The increased authorization provided $200 million for fiscal year 1959 and $300 million for each of the fiscal years 1960 and 1961.

7. The Federal-Aid Highway Act of 1958 authorizes the apportionment of all the Federal-aid funds authorized for the fiscal years 1959 and 1960, without regard to the provisions of section 209(g) of the Highway Revenue Act of 1956, the so-called Byrd amendment, which limits apportionment of such funds to amounts available in the highway trust fund.

In January of 1958 the Secretary of Commerce transmitted to Congress a report which included estimated costs of completing 38,548 miles of the Interstate System. This report also provided information on apportionment factors to be used in apportioning funds among the various States. The estimated cost of completing the 38,548 miles of the Interstate System is $37,622, million, of which $33,952 million would be Federal and $3,670 million would be State costs. It is further estimated that the cost to complete the authorized 41,000 miles of the Interstate System would be about $40 billion. On the basis of $40 billion the Federal cost would be $36.1 billion and the States' cost would be $3.9 billion.

The following tabulation indicates the condition of the highway trust fund on the basis of contract authority enacted in the Highway Act of 1958:

[In millions]

Fiscal year	Expenditures		Receipts		Year-end balance
	Annual	Cumulative	Annual	Cumulative	
1957	$966	$966	$1,482	$1,482	$516
1958	1,602	2,568	2,134	3,616	1,049
1959 [1]	2,553	5,121	2,143	5,759	639
1960 [1]	3,102	8,223	2,222	7,981	−241
1961 [1]	3,109	11,332	2,291	10,272	−1,059
1962 [1]	3,484	14,816	2,377	12,649	−2,166

[1] Estimated.

The President in his budget message recommended that to maintain the trust fund on a self-supporting basis there should be a temporary increase of 1½ cents in highway fuel taxes, to become effective July 1, 1959, and to remain in effect through the fiscal year 1964. On the basis of the President's proposal the following condition of the trust fund is estimated:

[In millions]

Fiscal year	Expenditures	Receipts	Year-end balance
1960	$3,136	$2,912	$415
1961	3,180	3,175	410
1962	3,558	3,296	148

In connection with problems of authorizations and financing of the highway program an analysis shows that on the basis of present legislation the apportionments made to and including those of August 1, 1958, a total apportionment of $12,678 million has been made for the ABC and interstate programs. This includes apportionments made prior to June 6, 1960. An analysis shows that an apportionment of $868 million could be made in July of 1959 for fiscal year 1961 for the ABC systems which assumes an apportionment of $925 million minus the repayable advances to States which were authorized by the 1958 Highway Act. The analysis shows that no apportionment could be made for the Interstate System in July of 1959. An apportionment of $892 million could be made for the ABC program in July 1960 for fiscal year 1962, which assumes a total apportionment of $950 million minus the balance of the repayable advances to States authorized by the 1958 Highway Act. An apportionment of only $500 million would be possible in July of 1960 for fiscal year 1962 for the Interstate System. If an apportionment of $975 million were made in July of 1961 for fiscal year 1963 to the ABC program it would be possible to apportion $1,700 million for the interstate program.

The estimated revenues to the trust fund, on the basis of present legislation, through fiscal year 1972 would amount to $38,915 million while the total apportionments would amount to $40,267 million of which $16,633 million would be for the ABC program, $23,449 million for the interstate program and $185 million for other items, such as flood relief, advances, and bridge, and dam funds. The total estimated apportionments required through fiscal year 1972 for the Interstate System amount to about $36 billion, thus there would be a shortage in trust funds of about $12½ billion to carry on the interstate program.

A number of suggestions have been made to meet the problem of providing funds to continue the highway programs, some of which are as follows:

1. The President in his budget message recommended a temporary increase of 1½ cents in the tax on motor fuels, through 1964. In addition, the President has suggested that funds for forest highways and public-land roads be financed from the trust fund.

2. Utilize trust fund revenues for the Interstate System and draw on general fund for ABC and other roads. Or in effect, draw on general fund for expenditures which cannot be met from trust fund.

3. Allocate certain excise taxes to trust fund.

4. Suspend the Byrd amendment during a period from 1961 to 1963 and finance the anticipated deficit in 1960–63 by an interim borrowing plan. Suspend termination date of trust fund and the increased tax levies in the 1956 act in order to have a future income assured with which to pay off deficit financing.

5. Review tax base after Bureau of Public Roads' economic study is submitted in 1961 and revise tax base to provide income necessary to obtain additional funds required. Authorize continuation of supplemental financing after 1963 by borrowing in amounts sufficient to meet financial needs of program.

If it is assumed that the total Federal cost of the Interstate System is $36 billion and would be completed by 1972; that the ABC program is increased to $1 billion annually by fiscal year 1962, which would amount to $16,722 million from 1956 through 1972; and other costs which include flood relief, advances, bridges, and dams, which would amount to about $567 million from 1956 through 1972; there would result a total demand on the trust fund of about $53.2 billion. When this is compared with an estimated revenue to the trust fund of $38.915 billion for the period 1957 through 1972, there results a deficit of $14.285 billion. It therefore becomes obvious that the highway program must be extended or readjusted, unless authorizations are made to complete the program and necessary funds provided.

STATE OF OREGON,
STATE HIGHWAY DEPARTMENT,
Salem, November 26, 1958.

Hon. RICHARD L. NEUBERGER,
U.S. Senator, Portland, Oreg.

DEAR SENATOR NEUBERGER: I appreciate very much your letter of November 25 to which you attached a summary of your speech to the Association of Oregon Counties.

I am glad to assure you, Senator, that I am heartily in sympathy with the thoughts expressed by you that the enlarged highway program throughout the Nation should be carried forward expeditiously and that it should be self-financed and not result in deficit spending. It is my firm belief that the great benefits that will accrue to the traveling public by reason of highway improvements will far more than offset the slightly additional cost by reason of such additional taxes as may be necessary.

In the State of Oregon, particularly, do we need increased revenues to an extent that will permit us to match available Federal aid. As you quoted in your speech, the best estimates that we can make today indicate that Oregon will be approximately $20 million short in matching funds for the 5-year period 1959 to 1964, inclusive. Inasmuch as Oregon receives $4 in Federal funds for its highway program for each dollar of match money required, the State can ill afford not to provide matching moneys. I believe that the fairest and most equitable manner of raising this additional revenue is by an increase of 1 cent per gallon in tax on motor fuel. This cost, which would result in approximately $7 per year to the average motorist, who drives 10,000 miles, is less than 3 cents a day, and savings in operation alone

in driving over modern highways would more than offset this increase without even considering the reduction in driving hazards, driving strain, and physical comfort.

At the national level, I also feel that additional funds should be provided, so that the program can be kept within its original 13-year period. There has been some thought in my mind that perhaps a portion of these additional funds could be obtained by the allocation of excise taxes on the purchase of new automobiles to the highway trust fund rather than to the general fund, as is now the case. After all, the payment of the excise tax on automobiles is a tax against the road user and, at this time, when the need for highway funds is critical, it would not appear that any funds contributed by the road user should be diverted to other purposes. However, some increase in the Federal gas tax undoubtedly will be necessary, and I am in favor of such increase as is necessary to maintain the schedule of highway construction contemplated, which is so essential to the Nation today.

I am very appreciative of your aid and guidance in highway matters, and I am sure that the people of Oregon realize that you have been at all times a stanch supporter of the crusade for better and, particularly, safer highways, not only in Oregon but throughout the Nation.

With best personal wishes.

Very truly yours,

W. C. WILLIAMS,
State Highway Engineer.

[From the New York Times, June 25, 1959]

PRESIDENT PLEADS FOR GAS TAX RISE—ROAD FINANCING IS CRITICAL, HE WARNS CONGRESS—10 STATES FACING TROUBLE

(By Richard E. Mooney)

WASHINGTON, June 24.—The administration tried to prod Congress into action today on the President's 5-month-old request for an increase in the Federal tax on gasoline.

The White House issued a report that said 10 States would have to stop issuing new contracts for interstate highway projects this summer if Congress did not break the pending financial jam. Fifteen will have to stop by the year's end, it said, and 11 by mid-1960.

The problem is an impending deficit in the Federal fund that finances the 41,000-mile program. The fund, with money from taxes on gasoline and other highway-use items, pays 90 percent of construction costs. The highway law says Federal aid may not be apportioned to States if the fund does not have the money to pay the bills when presented.

WORKING ON ALTERNATIVE

A gasoline tax increase is the administration's proposed solution for breaking the jam. Congressional leaders have made it clear that that proposal will not pass.

The House of Representatives has started working on an alternative that the President today termed "unacceptable to me." It would suspend the requirement that the highway fund stay in pay-as-you-go condition.

In a statement accompanying the report, the President warned that Congress' failure to act had put the country "on the verge of a stalemate in the orderly development of our vital interstate road network." He called it "a critical situation." He is asking a 1½-cent increase.

PROGRAM WOULD GO ON

Even if there is no new legislation this year—through congressional inaction or Presidential veto—the highway program would continue on the strength of contracts already issued. However the Government would not be able to make the normal mid-year apportionment of new contracting authority—$2,500 million in this case. A State would have to stop contracting when it ran out of the authority it had received in previous apportionments.

Presuming that legislation is passed, which seems probable, the apportionment may be a month or two late. The White House report was based on a presumption of no new legislation.

Bertram D. Tallamy, administrator of the program, polled State highway administrators early this month on what would happen to their programs if there were no apportionment this year.

New York and Connecticut were among 10 that said they would have to stop issuing contracts this summer. California said it was holding several large projects, totaling more than $50 million, pending a decision on apportionment.

Vermont said "any stoppage of program will require several years to rebuild our highway department organization." The others were Florida, Illinois, Michigan, New Hampshire, Ohio, and Oregon.

The 15 whose contracting would stop by year end are: Iowa, Kentucky, Louisiana, Maine, Massachusetts, Missouri, New Mexico, North Dakota, Rhode Island, South Carolina, Tennessee, Utah, Washington, West Virginia, and Wyoming, and the District of Columbia.

Wyoming noted that the Interstate System was two-thirds of its roadbuilding program, which in turn constitutes 28 percent of the State's economy.

The 11 that would stop contract letting in the first half of 1960 are: New Jersey, Alabama, Georgia, Indiana, Kansas, Maryland, Mississippi, Nevada, Pennsylvania, South Dakota, and Wisconsin.

[From the Oregonian (of Portland, Oreg.), May 18, 1959]

FEDERAL HIGHWAY DILEMMA

President Eisenhower's recommendation to Congress that it increase temporarily the Federal gasoline tax from 3 cents to 4½ cents a gallon emphasizes a difficult choice the Federal lawmakers must make soon.

Congress can let things slide and take the blame for a sharply curtailed Interstate Highway System building program in fiscal 1961 and 1962. In some States, the much needed and highly publicized modernization of the Nation's highways might come to a complete halt.

Congress can go into deficit financing for highways. This would be contrary to its policy of pay-as-you-go, adopted with much fanfare in 1956 in preference to the President's long-term bonding proposal. It would be contrary, too, to the balanced-budget policy which Mr. Eisenhower has pretty well convinced the Nation is necessary to avoid inflation.

Congress can divert about a billion dollars a year in manufacturers' excise taxes on automobiles to the highway trust fund. But this also would involve deficit financing, as the President pointed out in his message, for the billion gained for highways would be lost to the general fund and would have to be made up there in some manner.

Lastly, Congress can increase the Federal tax on motor fuels, as recommended by Mr. Eisenhower in January and again this week. This the lawmakers are reluctant to do, for auto owners already pay high State and Federal gas taxes—in Oregon almost a third of the cost of a gallon of gas represents taxes. To boost the Federal tax by 50 percent might be political dynamite.

The highway construction dilemma results from Congress' original thought that the big roadbuilding program should be paid for as it unfolds, and its reaching for the panic button last year when the recession seemed to call for a lot more jobs in public works. The Byrd amendment to the Highway Act provides that no more money can be spent than is in the highway trust fund. Last year, Congress suspended the Byrd amendment for fiscal years 1959 and 1960 and also upped the ceiling on expenditures for 1960 and 1961 from $2.2 billion to $2.5 billion. In other words, Congress spent the paycheck before it came in.

The result is that the trust fund is so near broke that the Bureau of Public Roads says it cannot make any allocations this summer for 1961 and that, under present circumstances, the fund will provide only $500 million for fiscal 1962. About a year must elapse between the time allocations are made and the States begin spending highway money. Thus, money for fiscal 1961, which begins July 1, 1960, must be made within the next few weeks.

If no money is forthcoming from the Federal Government for the Interstate System for fiscal 1961, Oregon alone figures to lose $43 million. This would build a lot of freeway mileage and provide jobs for many Oregonians.

No one likes to pay more taxes. But increasing the Federal gas tax appears to be the only way out in this instance. One wonders if Congress will be as politically courageous as the President was in recommending the step. It should be, for pay-as-you-go was its own idea.

[From the East Oregonian, Jan. 5, 1959]

HIGHER FEDERAL GAS TAX?

Increase the Federal tax on gasoline, the President says he'll ask the new Congress. But whether Congress complies with the request could be something else again. After all, the tax was raised only 2½ years ago, to 3 from 2 cents a gallon.

The Federal gas tax was first levied in 1932, during the dire depression of that time, at 1 cent a gallon. It rose to 1½ cents in 1933, went back to 1 cent in 1934, stayed there for 6 years, and was hiked to 1½ cents again in 1940, to 2 cents in 1951.

The increase to 3 cents in 1956 accompanied the new program for an elaborate Interstate Highway System. And the take from the whole gasoline tax, also from all other Federal taxes involved in highway use, was earmarked for a special highway trust fund.

Now, however, it is found that the program will cost more than originally anticipated—like everything else these days. So proceeds from the gas tax increase, if Congress votes it, won't swell Treasury revenues, but will simply help to keep the Treasury deficit down.

One cent a gallon more in the Federal tax is estimated to produce about $500 million a year. It would make the Federal tax about two-thirds of the average (weighted) State tax, now close to 6 cents. This is the tax in 18 States, while 14 charge more, and 16 charge less than 6 cents.

In an ideal tax structure the gasoline tax would probably be levied only by the States but what is ideal when it comes to taxation? The Federal tax is defended on the ground that it provides the funds spent by the Federal Government toward highway construction. On that basis it can be defended with strength.

[From the Oregon Daily Journal]

ROAD PROGRAM MUST BE SAVED

President Eisenhower's first formal prestation to Congress of his proposal for a giant Federal interstate highway program in 1955 called for the creation of a special agency through which the costs would be bonded. The financing would be outside the Federal Treasury and not considered a part of the national debt.

This met with a cold shoulder in Congress and was termed in some circles "phony financing." Congress did not act at all that year, but in 1956 it authorized the huge program, to be financed on a pay-as-we-go basis with increases in gasoline, fuel oil, and tire taxes.

These revenues went into a highway trust fund, and an amendment tacked on to the Highway Construction Act specified that the Government could spend no more money than it had in the trust fund. It soon became apparent, however, that costs were going to be far higher than anticipated. Revenues from the new taxes were not sufficient to keep the program going. Last year Congress met the emergency on a temporary basis by suspending the limiting amendment and money was drawn from the general fund, thus adding to the national debt.

Now the situation is more critical than before. The trust fund is so low that the Federal Bureau of Public Roads cannot make promises for funds in fiscal 1961 which would permit the States to go ahead with construction plans this summer. There is grave danger the whole program will bog down unless drastic steps are taken.

President Eisenhower has proposed an increase of 1½ cents a gallon on the Federal gasoline tax to keep the trust fund from going dry and the highway construction program from chugging to a halt. It has met little response in Congress. Senator RICHARD L. NEUBERGER, Democrat, of Oregon, has appeared to be almost a lone voice in its favor, urging that we meet our financial responsibilities here, as well as in some other areas. Many national organizations have opposed the increase.

Last January, the Journal itself took a rather dim view of this proposal, at the same time supporting an increase of 1 cent a gallon in the State gasoline tax. (The latter failed in the legislature.) But the Journal has swung around to the view that drastic action is necessary. Oregon has a big stake in the Federal program. We are right in the middle of huge projects which depend on Federal funds. It is unthinkable that the program be permitted to founder. It is also unthinkable that we let its cost be added to the national debt.

Much can be said against permitting the Federal Government to move further into a field of taxation which used to be considered the province of the States. But if we are to insist on this view, we cannot, as Senator NEUBERGER has pointed out, expect the Federal Government to contribute 90 percent of the cost of this program.

If pay-as-you-go was a virtue, as congressional Democratic leadership insisted in 1956, it is still a virtue. As much as we regret seeing a Federal gasoline tax hike, even a temporary one, it is a better alternative than permitting the construction program to falter or increasing the national debt.

[From the Denver Post]

THE HIGHWAY PROGRAM IS IN TROUBLE

The program begun in 1956 to build 41,000 miles of interstate highways throughout the country is in grave financial trouble.

As planned this superroad program was to be completed by 1972, at a cost of some $27.5 billion, of which 90 percent was to be provided by the Federal Government.

But now the costs are estimated at $40 billion, and the special highway trust fund set up by the Government faces a deficit for the next fiscal year of $241 million. It will be worse than that in future years unless something constructive is done in this Congress.

The costs have soared for several reasons, including growing traffic requiring higher standards, an increase in construction costs over the past few years of some 12 percent, and too-conservative cost estimates by the planners in the first place.

An additional problem has been an amendment to the original interstate highway legislation that required the Federal fund to spend each year only as much as it takes in that year. No spending against future earnings was allowed.

Last year, as an antirecession stimulant, Congress set aside this pay-as-you-go provision to provide greater spending in fiscal 1959. This must be made up now, which is one reason for the impending fiscal 1960 deficit.

Several solutions have been proposed:

President Eisenhower wants to increase the Federal gasoline tax, the prime source of interstate highway revenue, by another 1½ cents a gallon until 1964.

The American Petroleum Institute wants to transfer into the interstate highway fund other highway-user tax revenues, such as the excise tax on passenger cars and half that on trucks, that now go to the General Treasury.

The program could be stretched out beyond its 1972 deadline.

The deficit could be met by other transfers from the general funds of the Treasury. The transfers would be paid back later from interstate highway fund revenue.

The highway trust fund could borrow private money by issuing short-term bonds to meet the temporary deficit, although this would compete with regular Government efforts to raise money.

The pay-as-you-go amendment could be thrown out altogether, allowing the trust fund to make up in later years for overspending now.

The current highway trust fund gets all of the Federal gas tax, but this is not all allocated to the superhighways. A good portion must go for the so-called ABC roads, that is other primary and secondary and urban roads not on the interstate system.

Thus even if the pay-as-you-go principle were forgotten, the $40 billion that the existing trust fund will eventually raise would still not pay for both the superhighways and the ABC system.

Colorado has a great stake in the future of this interstate highway program, as does the rest of the Rocky Mountain empire. The proposed connecting highway between Denver and Cove Fort, Utah, is a case in point.

It seems to us that an increase in the gasoline tax as proposed by the President is the most equitable answer.

A gas tax increase would preserve the pay-as-you-go principle. Throwing out this principle, or evading it for a time by borrowing private funds or allowing temporary overspending, merely puts off a bill we will have to pay anyway.

Transfers into the highway fund from the general Treasury are defended by some on the grounds that highway users shouldn't bear the whole load directly through gas taxes.

However the same highway users in their role as general taxpayers would have to help make up the withdrawals from the Treasury in some other way, for if the budget is to be kept anywhere near balance, increased highway spending from the general fund means either reduction of other spending or increased general taxation.

The President's proposal has not been favored, either by Congressmen who want to avoid political ill will, or by State Governors who want to keep the gasoline tax primarily a State, not a Federal, source of income, or by gasoline producers who understandably do not want to add to the price of their already heavily taxed product.

The one thing that is abundantly clear, whatever the solution to the temporary deficit problem, is that 1972 is none too soon a target date to finish the highways, given the mushrooming of population and traffic.

[From the New York Times, May 3, 1959]

HIGHWAY BUILDING

One unpleasant thought to contemplate as the vacation season is about to begin is still another increase in the gasoline tax, Yet such an increase in the Federal tax is much the best way out of the impasse that now threatens the huge Federal-aid highway program.

Unless Congress takes some action the program will rather quickly come to a halt. In the present condition of the highway trust fund no apportionment of funds can be made to the States in July for the fiscal year 1961. This would mean a drastic slowdown in contract letting.

Three solutions have been proposed. One is to divert additional highway-related excise taxes to the trust fund from the general fund. This, of course, would require either tax increases elsewhere—out of the question now—or Treasury borrowing to make up the loss. Further deficit finance now is the wrong prescription, given the state of the economy and of the money market.

The second solution is to have the highway trust fund borrow money, from either the public or from the general fund of the Treasury, with repayment to be made late in the next decade, when receipts in the trust fund will again exceed expenses. Once again the real effect of this plan would be deficit financing now, when deficit financing is the wrong medicine.

The third method is the one backed by the President, preserving the principle of paying for the roads as they are built. It is the noninflationary way to solve the problem. It has the merit of letting people know that if they want Government services they must pay for them. Congress is said to have rejected this solution out of hand. But it is never too late to do the right thing.

[From the Washington Daily News, June 25, 1959]

THE HIGHWAYS GO BROKE

Last year's frantic rush to make political capital out of the recession finally has caught up with the great Interstate Highway System.

As a fake recession busting scheme which provided no jobs, Congress ordered sweeping additions to the road program without making any arrangements to pay for them.

Now the fund is running out of money. The ponderous machinery set up to build the roads is grinding to a halt involving vast waste. And there apparently is complete stalemate in Government as to what, if anything, can be done about it.

Here are some of the results, as outlined by B. D. Tallamy, able administrator of the program:

Within 3 months 10 States (Note: Including California, Connecticut, Illinois, New York, Ohio) must stop awarding contracts. By the end of the year, 16 more must stop. (Note: Including Kentucky, New Mexico, Tennessee.) In a year or less, contracts must be cut off, all told, in 36 States and the District of Columbia. (Note: Including Alabama, Indiana, Mississippi, New Jersey, Pennsylvania.)

This will halt momentum laboriously built up by the States, which have enlarged their highway departments, provided for matching funds, held public hearings on proposed routes, made commitments to property owners on rights of way, moved families, commercial and industrial establishments in anticipation of early construction.

Thousands of miles of new highway will be partly completed, yet cannot be finished.

Two principal remedies are suggested:

In Congress, borrow from the Treasury. This would run up the deficit, cause more inflation. President Eisenhower certainly would veto any such scheme.

By the President, increase the Federal gasoline tax, now 3 cents, to 4.5 cents. Con-

gressional leadership is determined not to raise gas taxes.

Certainly Congress should shift from its ill-considered speedup in the highway program to a stretchout which would put it back on a pay-as-you-go basis under present taxes.

But even such a change won't help in the present emergency or for many months to come when contracts already let will take all the cash in sight.

Further Federal deficits are unthinkable and stopping the program involves waste estimated all the way from $1 billion to $2 billion. It seems to us Congress and the President must get together on a compromise plan to salvage what they can out of this awkward mess.

Perhaps the money can be diverted from less urgent programs. Gas taxes already are outrageously high but even higher taxes, temporarily, would be preferable to more waste and borrowing which otherwise may be inevitable.

Mr. NEUBERGER. Mr. President, may we have order? I shall not proceed until there is order. I have yielded myself only 4 minutes.

The PRESIDING OFFICER. The Senate will be in order.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the time required to obtain order not be charged to the time the Senator from Oregon has yielded to himself.

Mr. NEUBERGER. I thank the majority leader.

The PRESIDING OFFICER. The Senate will be in order.

Mr. NEUBERGER. I thank the Chair.

Mr. President, I have great respect for the position in the field of highway construction and highway financing of the distinguished Senator from Tennessee [Mr. GORE]. I believe that if it were not for his pioneering leadership, there would be no interstate highway program in the 48 States, today. In that connection, I refer to the 48 States, because the highway system has not yet been extended to the State of Alaska.

I think the Senator from Tennessee deserves great credit for what he has done; and I believe that some of the criticism which has been voiced tonight totally fails to give proper consideration to his pioneering leadership in this field.

But, Mr. President, in view of the probability of a deficit of $13 billion in the Federal budget this year, I do not see how we can vote to take the needed funds out of the general fund and put them into the trust fund.

In my opinion that would merely be using the grocery money to pay the doctor's bill. In that event, what would we use for groceries, after the grocery budget had been used for the medical budget?

We know that the demands which we face in other fields are increasing.

The Senator from Alabama [Mr. HILL] has in the last few days brought before the Senate a great bill which deals with the field of medical research.

We face increasing demands in the field of defense and natural resources and Federal aid to schools—demands which are not yet being met.

So I do not see how we can take nearly $1 billion out of the budget and put it into the highway trust fund, without leaving an enormously large hole in the budget. If we were to do that, we would merely be robbing Peter to pay Paul.

I believe it makes sense to increase the Federal motor fuels tax sufficiently to pay for these roads as we go. In all the States there is a motor-fuels tax, and it is dedicated to highway construction. It seems to me that in this particular situation the President has been correct in his recommendation. There are many occasions when I do not agree with the President. But when he is right, it seems to me I would be foolish to let partisanship blind me to the fact that he is right.

Therefore, I have offered my amendment in the nature of a substitute. If the Government is to live up to its commitments both at home and abroad, the Government will need more revenue, not less; every Member of the Senate knows that. Every Member of the Senate knows that as Russia emerges further and further from peasantry and as Red China become a stronger and stronger nation and develops more fully, we shall not be able to meet the rivalry of those two nations unless we have additional revenue.

Furthermore, Mr. President, I believe we would be making a great mistake if we were to postpone to the future the problem of paying for the needs we face today—with the result that the burden would have to be met by future generations. Future generations will be faced with problems of their own; they will have to cope with the problems caused by a constantly increasing population and all that that will mean.

So I believe we must pay for these highways now. But we shall not do so if we take $964 million out of the budget and allocate it to the Interstate Highway System—in other words, if we use the grocery money to pay the doctor's bill.

Mr. JAVITS. Mr. President, will the Senator from Oregon yield to me?

Mr. NEUBERGER. I yield 1 minute to the Senator from New York.

Mr. JAVITS. I should like to identify myself with the argument the Senator from Oregon is making. He is known as a liberal; and I hope that I am, too, along with many others in this body. It is the path of liberalism to be hardheaded about paying for what one would like to have.

I am delighted with the Senator's substitute, and I shall vote for it. That will be the only honest thing to do.

Mr. NEUBERGER. I thank the Senator from New York for his kind observations.

Mr. KUCHEL. Mr. President, will the Senator from Oregon yield to me?

Mr. NEUBERGER. I yield.

Mr. KUCHEL. I wish to congratulate my colleague, the Senator from Oregon. Like the able senior Senator from New York [Mr. JAVITS], I join the Senator from Oregon in asking for bipartisan support for this amendment. I hope it will be adopted. I think it is in the path of wisdom for the future of America that we approve, tonight, again, this pay-as-you-go highway program.

Mr. NEUBERGER. Mr. President, I always value the support of the Senator from California; and I thank him.

Mr. SCOTT. Mr. President, will the Senator from Oregon yield to me?

Mr. NEUBERGER. I yield.

Mr. SCOTT. Mr. President, I shall be brief. I merely wish to congratulate the Senator from Oregon for his substitute amendment. I shall be very happy to associate myself with his point of view.

Mr. NEUBERGER. I thank the Senator from Pennsylvania for his assistance and his cooperation.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Oregon yield to me?

Mr. NEUBERGER. I yield to the able Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I think the Senator from Oregon has offered the only really sensible solution for this problem. If we want the roads to be built, we must pay for them. Certainly let us not ruin any chance to have a balanced budget in the years to come.

I shall support the Senator's amendment.

Mr. NEUBERGER. I thank the Senator from Delaware.

Mr. President, in March, I first introduced a bill to accomplish what this substitute amendment proposes. I thought the proposal was right then; I think it is right now.

I think this amendment is a solution of the problem we face in keeping the interstate highway program—the Gore program, if you please, Mr. President—on schedule.

Mr. GORE. Mr. President, will the Senator from Oregon yield to me?

Mr. NEUBERGER. If any of the time available to me remains, I am happy to yield to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Oregon has 3 minutes remaining under his control.

Mr. NEUBERGER. I yield 1 minute to the Senator from Tennessee.

Mr. GORE. Mr. President, I should like to ask a question of the Senator from Oregon.

Mr. NEUBERGER. I yield for a question.

Mr. GORE. First, I thank the Senator from Oregon for his generous references to the work I have devoted to this program.

The able junior Senator from Oregon is entitled to congratulations. He has presented an issue to the Senate.

In answer to the Senator from Florida, I named three choices available to the Senate. The Senate now will vote on two of them. The first vote will come on the question of increasing the gasoline tax.

So far as I am concerned, I do not believe it is fair to lay a heavier burden on the users of our highways until we utilize the taxes they have already paid for the purpose of building highways.

I thank the able Senator for his generous remarks, and congratulate him for helping to bring this important issue into sharp focus.

Mr. NEUBERGER. I thank the Senator from Tennessee. I want to point out this proposal is effective for only 2 years. Then the whole question will be

reviewed by the Highway Administrator, Mr. Tallamy, or his successor, and by the Congress.

The point I want to emphasize, in conclusion, is this: If we do not adopt the program of increasing the gasoline tax by 1½ cents, there will be no alternative but to let the interstate program lapse or take $964 million out of the general fund and leave that enormous gap in the fund. It seems to me my proposal is the solution.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. NEUBERGER. I yield.

Mr. YOUNG of North Dakota. How much money would the Senator's amendment provide for the program this year?

Mr. NEUBERGER. Approximately $800 million additional.

Mr. YOUNG of North Dakota. The program would be geared to that amount?

Mr. NEUBERGER. Yes, approximately. There would be about $800 million additional revenue.

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

Mr. NEUBERGER. Yes.

Mr. ERVIN. I should like to ask the Senator if there is not another alternative. There will probably be a carryover or an unexpended balance of foreign aid funds for last year totaling in the neighborhood of $9 billion. There is in the budget an item of $6 billion for additional foreign aid, making a total unexpended balance of $15 billion. Why can we not take some of that money, which belongs to Americans, and use it for Americans?

Mr. NEUBERGER. All I can say in answer to that question is that the last two Presidents of the United States and the last three Secretaries of State have all advocated foreign aid, and I am not sufficiently versed in foreign affairs to pit myself against them in the 2 minutes remaining to me tonight.

SEVERAL SENATORS. Vote! Vote!

Mr. BYRD of Virginia. Mr. President, I yield back the time remaining to me.

Mr. DIRKSEN. Mr. President, I yield back all the time remaining to me except 1 minute, and I use that minute for a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state his parliamentary inquiry.

Mr. DIRKSEN. As I understand, the first vote will come on the Neuberger substitute. Is that correct?

The PRESIDING OFFICER. That is correct.

Mr. DIRKSEN. As I understand further, the Neuberger substitute is a complete substitute for the Gore amendment. Is that correct?

The PRESIDING OFFICER. The statement is also correct.

Mr. DIRKSEN. A further inquiry. Depending on what would happen to the Neuberger substitute, if it should prevail, would it not be appropriate for the Senate to rescind action on the Gore amendment? Of course, I realize that is a little anticipatory.

The PRESIDING OFFICER. That would simplify the situation by saving a rollcall.

Mr. DIRKSEN. I yield back the time remaining to me.

The PRESIDING OFFICER. All time on the substitute amendment offered by the Senator from Oregon [Mr. NEUBERGER] has been yielded back. The question is on agreeing to the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. McGEE] and the Senator from Montana [Mr. MURRAY] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

On the vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Alaska would vote "nay," and the Senator from Indiana would vote "yea."

I further announce that if present and voing, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. MCGEE], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business as members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

On this vote, the Senator from Indiana [Mr. CAPEHART] is paired with the Senator from Alaska [Mr. GRUENING]. If present and voting, the Senator from Indiana would vote "yea," and the Senator from Alaska would vote "nay."

The result was announced—yeas 33, nays 46, as follows:

YEAS—33

Allott	Cotton	Martin
Beall	Dirksen	Morton
Bennett	Hayden	Neuberger
Bridges	Hickenlooper	Saltonstall
Bush	Hill	Scott
Butler	Javits	Smathers
Byrd, Va.	Keating	Smith
Carroll	Kennedy	Stennis
Case, N.J.	Kuchel	Symington
Clark	Langer	Williams, N.J.
Cooper	Lausche	Williams, Del.

NAYS—46

Anderson	Hart	Moss
Bartlett	Hartke	Mundt
Bible	Hennings	Pastore
Byrd, W. Va.	Hruska	Proxmire
Cannon	Jackson	Randolph
Curtis	Johnson, Tex.	Robertson
Dodd	Johnston, S.C.	Russell
Douglas	Jordan	Schoeppel
Eastland	Kefauver	Sparkman
Ellender	Kerr	Talmadge
Engle	Long	Thurmond
Ervin	McCarthy	Yarborough
Frear	McClellan	Young, N. Dak.
Fulbright	Magnuson	Young, Ohio
Goldwater	Mansfield	
Gore	Monroney	

NOT VOTING—19

Aiken	Green	Murray
Capehart	Gruening	Muskie
Carlson	Holland	O'Mahoney
Case, S. Dak.	Humphrey	Prouty
Chavez	McGee	Wiley
Church	McNamara	
Dworshak	Morse	

So Mr. NEUBERGER's amendment in the nature of a substitute for Mr. GORE's amendment was rejected.

Mr. BARTLETT. Mr. President, I wish to make a very brief statement in connection with my vote on the substitute amendment offered by the junior Senator from Oregon [Mr. NEUBERGER] to the tax bill.

If everything else had been equal, I would have voted for that amendment, because I believe that insofar as possible we should pay as we go.

But, Mr. President, in this case everything is not equal, insofar as Alaska is concerned, because Alaskans are now paying the 3-cent-a-gallon Federal tax on gasoline and are paying the rubber taxes, without receiving any benefits whatsoever from the interstate highway program; and this amendment would merely have meant that Alaskans would pay another 1½ cents a gallon tax, without receiving any benefits whatsoever.

Sometimes it is said that Alaska is receiving special benefits as a State. But in two very important areas—namely, roads and airports—there is demonstrable discrimination; and nowhere have I seen that special favors are being granted to Alaska.

I would have been especially glad to vote for this amendment, because my good friend, the Senator from Oregon [Mr. NEUBERGER], is responsible for including Alaska under the terms of a special provision in the Federal Aid to Highways Act of 1956.

Mr. GORE. Mr. President, the Senate has now disposed of one of the three choices. Two remain. We must let the program, as the President has said, come to a dead end; or we must permit the revenues from the highway user taxes to be applied on a pay-as-you-go basis to the construction of highways.

Mr. President, I shall not reply to the personal references which have been made. I wish to point out that the original highway program, as recommended to the Congress of the United States by the President, was to be financed entirely with deficit financing and was to be built in 10 years.

Our present crisis arises because the Congress, in creating the trust fund, did not dedicate to it sufficient revenues to do the job. That is where the fault lies. It is not the result of the program having been accelerated.

Indeed, we would have this problem if we had not had a recession and had not accelerated the program. I repeat that the Congress erred in not dedicating sufficient revenues to the trust fund to keep it solvent and to keep the highway program on schedule.

Something was said about making a hole in the budget. Let me remind the Senate that by an amendment agreed to this day the Senate has restored revenues in excess of $300 million. More similar action can be taken. Reductions in appropriations can be made as the appropriations are processed through this body.

Shall the highway program suffer complete stoppage, or shall we make reductions on other things less essential to the national economy and the national defense?

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

Mr. GORE. I yield.

Mr. DOUGLAS. Are the alternatives as sharp as the Senator from Tennessee makes them appear? For example, will there not be a continuing flow of income from the Federal gasoline taxes which will permit the highway program to go on, though at diminished speed?

Mr. GORE. Earlier, I made a statement, which I do not desire to repeat in full, that the highway construction program involves three steps. I hand to the Senator the report of the President of the United States which shows that the State of Illinois is entitled under the highway program to an apportionment next month—next week—of $126.9 million, but it will get zero unless the Congress acts. That will be the fate of every State.

Mr. President, I ask for a yea-and-nay vote.

The yeas and nays were ordered.

SEVERAL SENATORS. Vote! Vote! Vote!

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Tennessee [Mr. GORE] as modified. Do Senators yield back their time?

Mr. GORE. Mr. President, I yield back the time remaining to me.

Mr. BYRD of Virginia. I yield back my remaining time.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Tennessee [Mr. GORE] as modified. On the question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. McGEE], and the Senator from Montana [Mr. MURRAY], are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

On the vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Indiana [Mr. CAPEHART]. If present and voting, the Senator from Alaska would vote "yea," and the Senator from Indiana would vote "nay."

The Senator from Idaho [Mr. CHURCH] is paired with the Senator from Florida [Mr. HOLLAND]. If present and voting, the Senator from Idaho would vote "yea," and the Senator from Florida would vote "nay."

I further announce that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. MCGEE], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business as members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

On this vote, the Senator from Indiana [Mr. CAPEHART] is paired with the Senator from Alaska [Mr. GRUENING].

If present and voting, the Senator from Indiana would vote "nay," and the Senator from Alaska would vote "yea."

The result was announced—yeas 32, nays 47, as follows:

YEAS—32

Anderson	Hart	Magnuson
Bartlett	Hartke	Mansfield
Byrd, W. Va.	Hayden	Monroney
Cannon	Hennings	Moss
Carroll	Jackson	Randolph
Clark	Johnston, S.C.	Sparkman
Dodd	Jordan	Symington
Eastland	Kefauver	Williams, N.J.
Engle	Kerr	Yarborough
Ervin	Long	Young, Ohio
Gore	McCarthy	

NAYS—47

Allott	Fulbright	Neuberger
Beall	Goldwater	Pastore
Bennett	Hickenlooper	Proxmire
Bible	Hill	Robertson
Bridges	Hruska	Russell
Bush	Javits	Saltonstall
Butler	Johnson, Tex.	Schoeppel
Byrd, Va.	Keating	Scott
Case, N.J.	Kennedy	Smathers
Cooper	Kuchel	Smith
Cotton	Langer	Stennis
Curtis	Lausche	Talmadge
Dirksen	McClellan	Thurmond
Douglas	Martin	Williams, Del.
Ellender	Morton	Young, N. Dak.
Frear	Mundt	

NOT VOTING—19

Aiken	Green	Murray
Capehart	Gruening	Muskie
Carlson	Holland	O'Mahoney
Case, S. Dak.	Humphrey	Prouty
Chavez	McGee	Wiley
Church	McNamara	
Dworshak	Morse	

So Mr. GORE's amendment, as modified, was rejected.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the Gore amendment, as modified, was rejected.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The motion to reconsider was laid on the table.

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

Mr. HART. 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 Michigan will be stated.

The LEGISLATIVE CLERK. On page 2, it is proposed to strike out line 15 and insert the following:

"(1) section 4061(b) (relating to automobile parts and accessories);".

On page 3, it is proposed to strike out lines 16 through 23.

Mr. HART. Mr. President, the effect of this amendment would be to remove the 3-percent excise tax on automobiles which was imposed at the time of the Korean war. It would not affect the basic 7-percent excise applicable on cars.

How much is involved? About $390 million. I announced my intention, on behalf of myself and the senior Senator from Michigan [Mr. MCNAMARA], to offer this amendment at the time we agreed to remove in its entirety the excise tax on passenger tickets. I offer it now for the same reasons as those which motivated the Senate in agreeing to the removal of the excise on passenger transportation.

I believe that the debate at that time covers the reasons for my amendment. We are not asking for the removal of the entire excise tax on automobiles. We are asking only that the 3-percent Korean excise tax be removed.

I shall not ask for a yea-and-nay vote. I hope that Senators who feel as I do are in strong voice.

The PRESIDING OFFICER. Does the Senator from Virginia desire to use any time?

Mr. BYRD of Virginia. Mr. President, I must oppose the amendment. I hope it will be defeated.

The PRESIDING OFFICER. Do both Senators yield back their time?

Mr. BYRD of Virginia. Mr. President, I yield back the remainder of my time.

Mr. HART. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. HART]. [Putting the question.]

Mr. HART. Mr. President, I ask for a division.

On a division the amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendment, and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time, on condition that the minority leader does likewise.

Mr. DIRKSEN. Mr. President, I yield back the remainder of my time.

Mr. JOHNSON of Texas. Mr. President, I ask for the yeas and nays on final passage of the bill.

The yeas and nays were ordered.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD. I announce that the Senator from Wyoming [Mr. McGEE] and the Senator from Montana [Mr. MURRAY] are absent on official business.

The Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Oregon [Mr. MORSE], and the Senator from Maine [Mr. MUSKIE] are absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Michigan [Mr. MCNAMARA] are absent on official business attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness.

I further announce that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Idaho [Mr. CHURCH], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Florida [Mr. HOLLAND], the Senator from Minnesota [Mr. HUMPHREY], the Senator from Wyoming [Mr. McGEE], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mr. MORSE], the Senator from Montana [Mr. MURRAY], the Senator from Maine [Mr. MUSKIE], and the Senator from Wyoming [Mr. O'MAHONEY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], and the Senator from Kansas [Mr. CARLSON] are absent on official business as members of the U.S. delegation to conferences in Canada.

The Senator from South Dakota [Mr. CASE] and the Senator from Vermont [Mr. PROUTY] are absent on official business of the Committee on Public Works, attending the opening ceremonies of the St. Lawrence Seaway.

The Senator from Idaho [Mr. DWORSHAK] is absent on official business.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

If present and voting, the Senator from Vermont [Mr. AIKEN], the Senator from Indiana [Mr. CAPEHART], the Senator from Kansas [Mr. CARLSON], the Senator from South Dakota [Mr. CASE], and the Senator from Vermont [Mr. PROUTY] would each vote "yea."

The result was announced—yeas 79, nays 0, as follows:

YEAS—79

Allott	Goldwater	Monroney
Anderson	Gore	Morton
Bartlett	Hart	Moss
Beall	Hartke	Mundt
Bennett	Hayden	Neuberger
Bible	Hennings	Pastore
Bridges	Hickenlooper	Proxmire
Bush	Hill	Randolph
Butler	Hruska	Robertson
Byrd, Va.	Jackson	Russell
Byrd, W. Va.	Javits	Saltonstall
Cannon	Johnson, Tex.	Schoeppel
Carroll	Johnston, S.C.	Scott
Case, N.J.	Jordan	Smathers
Clark	Keating	Smith
Cooper	Kefauver	Sparkman
Cotton	Kennedy	Stennis
Curtis	Kerr	Symington
Dirksen	Kuchel	Talmadge
Dodd	Langer	Thurmond
Douglas	Lausche	Williams, N.J.
Eastland	Long	Williams, Del.
Ellender	McCarthy	Yarborough
Engle	McClellan	Young, N. Dak.
Ervin	Magnuson	Young, Ohio
Frear	Mansfield	
Fulbright	Martin	

NAYS—0

NOT VOTING—19

Aiken	Green	Murray
Capehart	Gruening	Muskie
Carlson	Holland	O'Mahoney
Case, S. Dak.	Humphrey	Prouty
Chavez	McGee	Wiley
Church	McNamara	
Dworshak	Morse	

So the bill (H.R. 7523) was passed.

The title was amended so as to read: "An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes."

Mr. JOHNSON of Texas. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. KUCHEL. Mr. President, I move to lay that motion on the table.

The motion to reconsider was laid on the table.

Mr. BYRD of Virginia. Mr. President, I move that the Senate insist upon its amendments and request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer appointed Mr. BYRD of Virginia, Mr. KERR, Mr. FREAR, Mr. LONG, Mr. WILLIAMS of Delaware, Mr. BENNETT, and Mr. BUTLER, conferees on the part of Senate.

Mr. BYRD of Virginia. Mr. President, I also ask that the bill be printed, showing the Senate amendments.

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

AUTHORIZATION FOR VICE PRESIDENT OR PRESIDENT PRO TEMPORE TO SIGN ENROLLED BILLS AND RESOLUTIONS DURING THE ADJOURNMENT OF THE SENATE

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Vice President or the President pro tempore be authorized to sign, during the adjournment following today's session, enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled, and that the Secretary be authorized to receive messages from the House.

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

VETO MESSAGES FROM THE PRESIDENT

Mr. JOHNSON of Texas. Mr. President, the President of the United States has transmitted to the Senate today two veto messages—one on S. 1901, the so-called tobacco bill, and the other on S. 1968, the wheat bill.

I ask unanimous consent that the messages be considered to have been read, and that, with the accompanying bills, they be ordered to lie on the table and be printed as documents.

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

AMENDMENT OF AGRICULTURAL ACT OF 1949, TO STABILIZE AND PROTECT THE LEVEL OF SUPPORT FOR TOBACCO—VETO MESSAGE (S. DOC. NO. 32)

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying bill, ordered to lie on the table, and to be printed:

To the Senate:

I return herewith without my approval S. 1901, "an act to amend section 101(c) of the Agricultural Act of 1949 and the act of July 28, 1945, to stabilize and protect the level of support for tobacco." This bill fails by a wide margin to do what should be done if the best long-term interest of the Nation's tobacco farmers is to be safeguarded.

The bill's merits are few. For the first time in many years tobacco prices would be supported at less than 90 percent of parity—in the first year, for example, at 88 percent for Flue-cured tobacco and at 87 percent for burley. Supporting tobacco prices as provided in S. 1901, rather than at 90 percent of parity under a continuation of present law, would result in a saving to the U.S. Government in the first year of $14 million.

The bill's demerits, however, are fundamental and far reaching. The bill takes a long step backward by resurrect-

ing 90 percent of "old parity" as one basis for determining the support level for tobacco. The Congress itself discarded the "old parity" formula years ago. Because the bill actually can result in the support level being set at 90 percent of "old parity," the American tobacco farmer in such circumstances could very easily be misled into believing he would receive 90 percent of parity, as parity is computed for all other commodities.

But more importantly, I cannot approve a bill that holds out hope to the tobacco farmer that it will help him solve his problems, when such is not the case. U.S. growers of many types of tobacco are heavily dependent upon exports. Yet we have been fast losing our fair share of foreign markets. The deterioration in our tobacco sales abroad can be directly attributed to the high level of price supports that are required by existing law. And while prices have been supported at these high levels, and would continue to be under this bill, the law has required severe cuts in tobacco acreage in the United States at a time when acreage and production abroad have been expanding. The best that can be said about S. 1901 is that it might slow down the rate at which we are losing our fair share of foreign markets. It would not prevent further losses. It certainly will not regain any lost markets, because the level of price supports it requires would still be too high.

I believe the bill's demerits far outweigh its merits, and accordingly I am returning it without my approval.

The Congress has a pressing responsibility to enact realistic legislation designed to meet the problems of tobacco farmers—legislation such as that recommended in my special message of January 29, 1959.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *June 25, 1959.*

STRENGTHENING OF WHEAT MARKETING QUOTA AND PRICE-SUPPORT PROGRAM—VETO MESSAGE (S. DOC. NO. 33)

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying bill, ordered to lie on the table, and to be printed:

To the Senate:

I am returning herewith, without my approval, S. 1968, a bill "to amend the Agricultural Act of 1949, as amended, the Agricultural Adjustment Act of 1938, as amended, and Public Law 74, 77th Congress, as amended."

This bill seeks to enact temporary wheat legislation. It would require wheat producers to reduce their acreage by 25 percent and at the same time would provide for increases in price supports on wheat to 90 percent of parity.

On May 15 when I approved the joint resolution for extending the date for announcing the 1960 wheat acreage allotments and marketing quotas I said:

It is my hope that these additional 2 weeks will be used by the Congress to enact realistic and constructive—not stopgap—wheat legislation.

The proposed legislation embodied in H.R. 7246 is stopgap. It is not realistic. It is not constructive. It goes backward instead of forward. It is not in the interest of the wheat farmers of America.

The bill disregards the facts of modern agriculture. The history of acreage control programs—particularly in the case of wheat—reveals that they just do not control production. Under acreage controls in the 1954–58 period, acreage was reduced by over 25 percent but at the same time yield per acre was increased by about 30 percent. The same situation would be likely to happen in 1960 and 1961. The poorest acres would be retired from production and all the modern technology would be poured onto the remainder.

Hence the bill would probably increase, and in any event would not substantially decrease, the cost of the present excessively expensive wheat program now running at approximately $700 million a year.

In my January 29, 1959, special message on agriculture, I recommended that price supports be related to a percentage of the average market price during the immediately preceding years. In this message I also stated that if in spite of the tremendous increases in yields per acre the Congress still preferred to relate price support to existing standards then the Secretary should have discretion in establishing support levels in accordance with guidelines now in the law.

Contrary to the recommendations I made, this bill prescribes for a sick patient another dose of what caused his illness. The proposed return to the discredited high, rigid price supports would hasten the complete collapse of the entire wheat program.

While the hour is late I feel that this Congress still has the opportunity to adopt realistic wheat legislation beneficial to all segments of our economy.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *June 25, 1959.*

FLAG RAISING CEREMONIES AT JUNEAU, ALASKA, JULY 4, 1959

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 423, Senate Resolution 135.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 135) authorizing the appointment of a special committee to attend the flag raising ceremonies at Juneau, Alaska, on July 4, 1959.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to, as follows:

Resolved, That the Vice President is authorized to appoint seven Members of the Senate as a special committee to represent the United States Senate at the ceremonies to be held at Juneau, Alaska, on July 4, 1959, where the United States flag bearing forty-nine stars will first officially be flown in commemoration of the admission of Alaska into the Union as a State, and to designate the chairman of said special committee.

Resolved further, That the expenses of the committee, including staff members designated by the chairman to assist the committee, which shall not exceed $15,000, shall be paid from the contingent fund of the Senate, upon vouchers approved by the chairman.

REPORTING BY SENATE OF DETAILED INFORMATION ON ITS PAYROLLS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar 422, Senate Resolution 139.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 139) to provide for the reporting by the Senate of detailed information on its payrolls.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr JOHNSON of Texas. Mr. President, I yield to the Senator from Missouri to make a brief explanation of the resolution.

Mr. HENNINGS. Mr. President, this resolution was called to the attention of the Committee on Rules and Administration some several weeks past. It relates to what many of us have heard and read about, and about which inquiries have been made of us concerning the staffs of the respective Senators and themselves.

In considering the matter, the Committee on Rules and Administration tried to reach what we thought was a proper conclusion. We did so after two meetings. We spent the greater part of the time in discussing what we thought would best meet the responsibility of the Senate to the people of the United States in a full and free disclosure of our own financial transactions, our payrolls, and all other information, about which some of us feel strongly.

Mr. JOHNSON of Texas. Was this a unanimous report?

Mr. HENNINGS. The resolution was reported to the Senate unanimously by a full attendance of the Committee on Rules and Administration, either in person or by proxy, on Wednesday of this week.

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

Mr. HENNINGS. I yield.

Mr. ELLENDER. Does the resolution contain language which would require the names of the employees to appear under the name of each Senator; that is, to identify them together with their respective salaries?

Mr. HENNINGS. Yes.

Mr. ELLENDER. I do not read the resolution in that way. The meaning is not clear. The resolution should provide that under the name of each Senator

there should appear the names of all his employees with their respective salaries.

Mr. HENNINGS. The name of the Senator, the list of employees, and the list of the salaries of employees following the employees' names.

Because of the lateness of the hour, I shall not go into a more detailed explanation of the resolution. Unless there are further questions, I ask unanimous consent to have printed at this point in the RECORD a portion of the report and a further explanation of the resolution.

There being no objection, the excerpt from the report and the explanation of the resolution were ordered to be printed in the RECORD, as follows:

Under the present practice, the Secretary of the Senate makes an annual report, pursuant to sections 60, 61, and 63 of the Revised Statutes of the United States, which sets forth an itemization of all receipts and expenditures of the Senate in chronological order by appropriation and fiscal year of availability. General expense items, as listed, indicate the dates of payment, the dates of obligation, the payees, the items of expenditures, the total amounts paid, the obligating activities, and the authorities under which the obligations were incurred. The Secretary's reports are customarily printed in the month of January and contain a complete record of all vouchers processed by the Senate during the preceding fiscal year. These reports are available within 7 months of the close of the fiscal year involved and are made available as Senate documents.

In the interest of making a more specific and timely disclosure of the names, titles, and salaries received by all individuals employed by the Senate, however, it is the opinion of the Committee on Rules and Administration that the annual report of the Secretary of the Senate should be somewhat expanded to include a specific breakdown of payroll information. It is the further opinion of the committee that the Secretary of the Senate should also compile and make available such information to the public on a quarterly basis not later than 60 days following the close of each quarterly period, beginning with the quarter commencing on July 1, 1959. Section (2) of the committee's original resolution (S. Res. 139) would accomplish the first objective, and section (b) thereof would provide for the quarterly reports.

The committee reached its conclusions after a thorough examination of the issues involved and after careful appraisal of possible methods which could be employed to meet the recognized public interest in the expenditure of Senate funds. The committee sincerely believes that in recommending its proposal it is cooperating to the fullest extent in making a complete and scrupulous accounting of all the Senate's expenditures.

STATEMENT BY SENATOR HENNINGS

The resolution will require that the Secretary of the Senate make available to the public, in a printed form, the names, titles, and amounts paid as compensation to each person employed by the Senate during each quarter of the fiscal year within 60 days following the close of each such quarterly period. All employees receiving their compensation from funds disbursed by the Secretary of the Senate will, therefore, be included in the quarterly compilation. This includes employeees of the Vice President, Senators, all committees and subcommittees, joint committees, and all other individuals whose compensation is paid by the Secretary of the Senate.

In addition, the compensation paid to each individual employee of the Vice President, Senators, and committees will be included in the annual report of the Secretary of the Senate so that this report will provide the same information regarding these employees as is already provided for all other employees.

The PRESIDING OFFICER. The question is on agreeing to the resolution. [Putting the question.]

Mr. SALTONSTALL. Mr. President, does the language of the resolution as reported mean that each Senator's employees shall be named? The resolution states "paid to each person employed by the Senate."

What does that mean? I should like an explanation of the language.

Mr. ELLENDER. I tried to have that clarified a moment ago. The language reads:

The name, title, and specific amount paid to each person employed by the Senate during the period covered by each such report.

Mr. HENNINGS. What does the Senator from Louisiana say is wrong about that?

Mr. ELLENDER. It is not wrong; the language is couched in good English. The point I am making is that the resolution does not provide that following the Senator's name there should be a listing of all the employees of that Senator and their respective salaries.

Mr. HENNINGS. I did not understand that the Senator from Louisiana was present at the meeting of the Committee on Rules and Administration.

Mr. ELLENDER. No, I was not. I am reading from the resolution which was reported by the committee.

Mr. HENNINGS. How can the Senator know the intent when he was not present at the meeting of the committee?

The resolution would require that the Secretary of the Senate make available to the public, in a printed form, the names, titles, and amounts paid as compensation to each person employed by the Senate during each quarter of the fiscal year, and within 60 days following the close of each quarterly period.

I want all Senators to feel free to ask questions, and I shall do the best I can to enlighten the Senate about the resolution.

The resolution includes disclosure of the compensation paid to employees of the Vice President, of Senators, of Senate committees, of subcommittees, and of joint committees, and the compensation of other individuals whose compensation is paid by the Secretary of the Senate.

The report is available. I shall read from the report:

The Secretary's reports are customarily printed in the month of January.

I hold in my hand a volume of a report of the Secretary of the Senate.

The Secretary's reports are customarily printed in the month of January and contain a complete record of all vouchers processed by the Senate during the preceding fiscal year. These reports are available within 7 months of the close of the fiscal year involved and are made available as Senate documents.

In the interest of making a more specific and timely disclosure of the names, titles, and salaries received by all individuals employed by the Senate, however, it is the opinion of the Committee on Rules and Administration that the Annual Report of the Secretary of the Senate should be somewhat expanded to include a specific breakdown of payroll information. It is the further opinion of the committee that the Secretary of the Senate should also compile and make available such information to the public on a quarterly basis not later than 60 days following the close of each quarterly period, beginning with the quarter commencing on July 1, 1959.

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

Mr. HENNINGS. I am glad to yield.

Mr. HAYDEN. At present, the report of the Secretary of the Senate contains the names and salaries of every employee of the Senate, but that report appears only once a year. When we look at the report, we can find, however, the salaries are compiled quarterly by the financial clerk of the Senate. Therefore, we decided to take the quarterly statements and have them printed four times a year in a separate pamphlet which will be available in the Office of the Secretary of the Senate.

But the information which will be contained in the pamphlets to be printed four times a year will be exactly what will appear yearly in the Secretary's reports; there will be no difference. In each instance, the report will contain the names of all persons employed by the Senate.

Mr. HENNINGS. I may make the further observation that the distinguished President pro tempore, the Senator from Arizona [Mr. HAYDEN], suggested at one of our meetings that until 1948 what is being proposed in the resolution had been done for a number of years consecutively.

Mr. HAYDEN. That is correct.

Mr. HENNINGS. Perhaps many Senators were not aware of the fact that their payrolls, containing the names of employees and the amounts paid the staff employees, were available at all times. It was not a matter which had come to our attention.

The PRESIDING OFFICER. The question is on agreeing to the resolution. [Putting the question.]

Mr. LONG. Mr. President, do I understand that the resolution was reported to the Senate only tonight?

Mr. JOHNSON of Texas. It was reported several days ago.

Mr. MANSFIELD. It was reported on Wednesday.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 139) was agreed to, as follows:

Resolved, (a) That the Secretary of the Senate shall set forth in his statement of receipts and expenditures of the Senate for the fiscal year July 1, 1959–June 30, 1960, and in each subsequent report (required under sections 60, 61, and 63 of the Revised Statutes of the United States), the name, title, and specific amount paid to each person employed by the Senate during the period covered by each such report.

(b) Commencing with the period July 1, 1959–September 30, 1959, and for each quarterly period thereafter, the Secretary of the Senate shall compile and make available to the public on a quarterly basis the information specified in subsection (a) above. Such quarterly reports shall be made not later than sixty days following the close of each quarterly period.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. JOHNSON of Texas. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

INCREASED LIMITATION ON THE FEDERAL DEBT

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a statement by me with respect to the debt limit.

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

STATEMENT OF SENATOR BYRD OF VIRGINIA

I regret the apparent necessity for the legislation to increase the debt limitation.

It raises the limitation on the Federal debt to $295 billion temporarily until June 30, 1960, and after that date the permanent debt limitation will be $285 billion.

Personally I support the bill for only two reasons:

1. I am convinced from the showing made by the fiscal authorities of the Government that a $295 billion limitation is essential in the coming year for proper and responsible management of the tremendous Federal debt we are carrying; and

2. Because the Secretary of the Treasury has testified before the Senate Finance Committee that he will do all in his power to avoid the necessity of asking for continuation of the $10 billion temporary limit beyond its expiration date on June 30, 1960.

This is the third request for tremendous increases in the statutory debt limit within 18 months. In this period we have increased the Federal debt limit by $20 billion—from $275 billion to $295 billion.

Federal debt set its all time record May 11. It exceeded the World War II peak by $7 billion.

Best experts concede that deficit financing in present circumstances is a heavy factor in continuing inflation.

We have reached the point of serious reluctance to invest in the bonds of the U.S. Government.

The fiscal situation deteriorated faster in the past 18 months than in any comparable peacetime period to my knowledge.

In 6 months we moved from estimates of virtually balanced budgets in fiscal years 1958–59 to combined deficits of $15 billion.

In the process we have been forced to raise the statutory debt limit three times.

At the present rate Federal agencies will spend more than $400 billion in 5 years.

Contrary to general understanding, recent great increases in Federal spending have not been for defense or foreign aid.

The tremendous increases have been for domestic-civilian programs.

Between 1954 and 1959 expenditures outside of defense, atomic energy, and foreign aid categories increased from $19.1 billion to $34 billion estimated in the current year. This is an increase of $14.9 billion, or 78 percent.

There is terrific pressure in the current session of Congress for enactment of more nonessential spending programs.

Almost invariably these new spending programs involve multiyear or permanent commitments for heavy spending in the future.

Much of the domestic-civilian spending is for subsidies—and by subsidies I mean nearly all kinds of loans, grants and payments out of the Federal Treasury to special beneficiaries.

Many of these subsidy programs are bottomless pits for Federal spending and contribute to sky-high inflation.

The Federal Government of the United States cannot now pay its bills except by increasing debt and inflation. Revenue at present tax rates does not meet our commitments.

Interest on the Federal debt is taking approximately one-tenth of all taxes collected.

Chronic inflation has reduced the purchasing power of our money 52 per cent. The American dollar is now worth 48 cents by the 1939 index.

Inflation destroys fixed incomes, provident investment, prudent business, sound financing, national security and democratic government.

More than 20 years of destructive inflation in this country to date have led to continual demands for increased Federal subsidization.

The Federal Government is now subsidizing business, industry, private finance, agriculture, transportation, power, health, education, States, localities, individuals, etc.

By the process of cheapening our money and centralizing power in the Federal Government, we have descended to a level of state socialism which is obvious, if not admitted.

The Federal position alone is bad enough, but it is epidemic. It has spread to State and local governments. It has permeated our whole economy. It has dangerously changed our attitudes—public and private.

Total public expenditures in this country—Federal, State, and local—this year will reach nearly $150 billion.

Federal, State, and local governments this year will take $130 billion or more out of the pockets of American taxpayers in revenue receipts from all sources.

In their annual budgets Federal, State, and local governments this year will run deficits totaling $15 to $20 billion.

Public debt—Federal, State, and local—this year will approach $350 billion.

Private debt now runs at more than $500 billion.

In short, we have nearly a trillion dollars of debt on our backs. That figure is beyond ordinary comprehension.

When individuals become insolvent they take bankruptcy and dispose of their obligations.

When governments become insolvent, their money becomes worthless, and they go through a revolution wringer.

I concede, of course, the necessity for deficits in extreme national emergencies.

For the first 150 years of our history we met our emergencies when they arose. But when they were over we promptly restored sound financing, characterized by balanced budgets, and began paying off the debt.

Under this practice, combined with our wealth and natural resources, this Nation grew great in the short span of a century and a half.

But in our time we have not only continued exploitation of our resources; we have abandoned our traditional policy of fiscal soundness.

We have sapped our strength and undermined our form of government with continual deficit spending, rising debt, and spiraling inflation.

There can be no doubt that we have allowed ourselves to become weak in the fundamental requirement for fiscal soundness.

Development of our great resources through free enterprise democracy is the source of this Nation's strength.

With atomic energy, rocketry, etc., we are entering a new era. Our population is increasing. We have unduly exploited our resources, but they are still tremendous. Our productive know-how and capacity are yet unsurpassed.

These are elements on which free enterprise democracy should thrive soundly, and proceed constructively for the good of all mankind.

Our free enterprise democracy is the greatest system the world has ever evolved. But there is one controlling requirement, and this must never be overlooked. The system is based on solvent government and sound money.

With fiscal soundness I would have no fear for the future—economically or militarily. Without it there will be neither solid economic progress nor security with military preparedness.

We have allowed ourselves to grow weak in the requirement for solvent government and sound money. Assurance of fiscal soundness in the future does not now exist.

Deficit financing has been the rule—not the exception—for more than a quarter of a century.

The Secretary of the Treasury in testifying on this bill has set the objective of bringing the debt down to or under the $285 billion permanent limitation. This is essential.

To do this will require balanced budgets with surplus. If he is to achieve the objective, he will require firm action by the executive branch and constructive help by Congress in reduction of expenditures with elimination of all of those which are not absolutely essential.

Mr. THURMOND. Mr. President, the Senate today passed the bill raising the permanent debt limit from $285 billion to $288 billion, and the temporary debt limit from $288 billion to $295 billion. Since there was no yea-and-nay vote on the bill, I wish to be recorded as being opposed to the passage of the bill.

CONSTRUCTION AT MILITARY INSTALLATIONS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 284, H.R. 5674, the military construction bill. I announce that this bill will be made the unfinished business and that it is expected to have the Senate take it up on Monday.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 5674) to authorize certain construction at military installations, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Armed Services with an amendment.

SOVIET RUSSIA POSES A NEW INDUSTRIAL THREAT—ADDRESS BY DR. RAYMOND EWELL, VICE CHANCELLOR, UNIVERSITY OF BUFFALO, BEFORE BUFFALO BUSINESS BREAKFAST CLUB ON FEBRUARY 18, 1959

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a speech by Vice Chancellor Ewell, of the University of Buffalo, on the new industrial threat being made by the Soviet Union against the United States and on Mr. Ewell's recommendations for countering this threat.

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

SOVIET RUSSIA POSES A NEW INDUSTRIAL THREAT—RUSSIA'S PROGRESS, THE EXTENT OF ITS THREAT, AND WHAT WE MUST DO ABOUT IT

(Dr. Raymond Ewell, vice chancellor of the University of Buffalo, spoke before the Buffalo Business Breakfast Club in Hotel Lafayettte on February 18 on the results of his thinking following his recent visit to Russia. His special field of activity at the University is research.)

Most Americans who read newspapers and magazines are now aware (1) that we are engaged in a great struggle with the Soviet Union, (2) that the Soviet Union is growing in industrial and military power, and (3) that our position vis-a-vis the Soviet Union is steadily declining.

However, the vast majority of Americans, at least 99.9 percent, still do not fully realize—

1. That the United States is in by far the greatest peril of its history.

2. That the Communist leaders of Russia really are planning to dominate the whole world, including the United States.

3. That the struggle in which we are now engaged is the climatic struggle of history, which will decide the history of the world for the next few hundred years.

4. That we are up against a completely new social and political force in the world which did not exist 42 years ago,

5. That the Communist threat will probably be the dominant factor in shaping all our lives during the next decade,

6. That this struggle will come to a climax probably in 10 to 15 years,

7. That we are in real danger of losing this struggle,

8. That we have only a few more years of grace before we must gird our loins and begin to fight in earnest.

These are strong statements. But the fact is it is impossible to realize these things unless a person has actually been to Russia. No matter how well-informed a person may be, how many lectures he hears, how many books he reads, it is impossible to understand the Russian situation unless he has actually been to Russia within the past few years. The only way to understand the Russian picture is to go to Russia and feel the throbbing power of that country, see their schools and factories, and above all observe the dynamic character of the Russian people.

The industrial growth of the Soviet Union during the 30 years since they started their first 5-Year Plan in 1928 has been the greatest industrial development of any country in a like period of time. They have advanced from sixth place in industrial output among the countries of the world in 1928 to third place in 1937 and to second place in 1945. From 1928 to 1958, their overall industrial output increased by 28 times. For example, steel production increased from 4.7 million tons in 1928 to 60 million tons in 1958, electric power from 5 billion to 233 billion kilowatts-hours, coal from 39 million to 546 million tons, cement from 11 million to 195 million barrels, tractors from 1,300 to 220,000.

Today, the largest steel mills and the largest electric powerplants in the world are in the Soviet Union. The Soviet Union is now outproducing the United States in coal, machine tools, railway equipment, timber, iron ore, aluminum ore, nickel, tin, manganese, wool, milk, butter, and sugar. In 3 or 4 years they will be outproducing us in meat, cement, fertilizers, and some other basic products. Their new 7-year plan, which started January 1959 and runs through 1965 calls for 80 percent increase in overall industrial production, for example increasing steel production to 95 million tons, electric power to 500 billion kilowatt-hours, and cement to 440 million barrels.

These are tremendous accomplishments. However, this development would pose no particular threat to the United States if it were not for the fact that this enormous power is in the control of a highly organized ruling class, namely the Communist Party, which is dedicated to the idea of world domination. This is a religious motivation and to be realistic we must look upon communism as a militant religion with all the powerful driving forces which have always been associated with militant religions in history. If it were Switzerland or India or Brazil which was developing this great industrial potential, we would have little cause to be concerned—in fact, we would applaud it as a useful contribution to the world's productive capacity. But when this great power is in the hands of a militant clique bent on unlimited expansion and world domination, every free nation in the world, including the United States, is in peril. As long as the religious fervor of the Communist leaders continues, we will be in great danger, probably increasing from year to year. We cannot count on this religious fervor subsiding for at least a generation and the climax of this struggle seems likely to come before then—probably within 15 years.

Despite the great industrial development in the Soviet Union, its industrial capacity today is still only about 50 percent of the United States. However, its industry has been growing at 10 percent to 15 percent per year since 1945 and appears likely to grow at 7 percent to 9 percent per year during the next 7 years. By comparison, our industrial capacity has been growing at only about 3 percent per year and appears likely to continue at about this same rate. In 1950, the total industrial capacity of the Soviet Union was 25 to 30 percent of that of the United States. In 1958, it had increased to about 50 percent, in 1965 it seems likely to approach 75 percent. In my opinion, this will be a critical point. The Soviets will probably be on a par with the United States in the capacity to carry on a struggle—either a military struggle or an economic struggle—when they have reached about 75 percent of our industrial capacity. The basic reason for this is that Russia is a nonluxury civilization. The 20 to 25 percent of our industrial output which we now put into luxuries is one of our weaknesses in this struggle. The Russians have few luxuries and aren't likely to have many even by 1965. Therefore, they are able to carry on a struggle with less total industrial capacity than we are.

The industrial development of the Soviet Union represents a danger to the United States for three principal reasons:

1. The Soviet Union's industrial development is the basis of their military power.

2. The Soviet Union appears certain to enter the field of international trade as a strong competitor.

3. Greater international trade by the Soviets will inevitably lead to increasing political and cultural ties with many countries, which in turn may lead to political control.

We can expect the Soviets to challenge us with increasing frequency and increasing severity as their industrial power increases. They know that their industrial power at present is not enough to challenge the United States in earnest. They are now playing a cat and mouse game in the Middle East, Formosa, Berlin, etc. These are purely probing operations to see how far we will go. But during the next decade as their industrial power with respect to the United States steadily increases, their challenges will become more and more severe, more and more in earnest. We will need the very highest quality of leadership to deal with these challenges which seem sure to come. The way things appear to be developing now I would expect the real danger to come in the period from 1965 to 1970, for that appears to be the time when their industrial capacity will approach 75 percent of ours. Despite all the talk about missiles, atomic bombs, and nuclear submarines, the real danger lies in the growth of their industrial power.

We have only a few more years of grace, only a few more years of taking life easy, only a few more years of business as usual. Then we will have to gird our loins, jettison many of our luxuries, and get ready to combat the Russian menace in earnest. Our opponent has been on a war basis for 30 years, and we will have to get on a war basis, too, if we want to survive.

The Soviet potential in the field of international trade intensifies this picture. The Soviets have only become active in international trade during the past year or two, except within the Communist group of countries. Heretofore they have not had any surplus of goods they were willing to divert to international trade. Now they have some, and they will have more during the next few years. This may develop very rapidly. For example, in 1958 the Soviet Union exported cars and trucks to 38 different countries. They told me in Russia that they expect to export large quantities of all types of manufactured goods during the next 5 to 10 years—automobiles, trucks, railway equipment, machine tools, electrical, radio and television equipment, typewriters, watches, cameras, chemicals, textiles, etc. The Soviets are in a good position to do this for they can produce goods more cheaply than we can and they are perfectly capable of meeting any quality standards which may be needed. They have a large, intelligent labor force, the best natural resources in the world, modern industrial plants and technology, plenty of well-trained engineers, and most important of all, a low wage scale. They can probably produce nearly any product at a much lower cost than the United States or any country of Western Europe. At the very least, this development could seriously cut into our present international trade. And we must realize that the Soviet Union is likely to be by far the toughest competitor we have ever come up against in international trade.

In addition to their strong position costwise, the Soviets will have the advantage of a political motivation in their international trade program. They can be expected to enter into international trade with the intention of making a profit whenever possible. This should be quite possible with their low cost position. And they can be expected to do this vigorously and aggressively. However, if they can't make a profit, they will enter into international trade deals anyway for political reasons. In other words, international trade is an instrument of national policy with the Soviets, whereas American industry is just not geared to doing business on a nonprofit basis for political reasons.

It would be my guess that the long-range strategy of the Soviets is to expand their international trade steadily with one country after another, offering as good terms as they have to to get the business. Then will come Soviet businessmen, advisers and technicians by the thousands, as I observed them in India. Closer economic ties lead to closer cultural and political ties. Through this process Russia hopes to wean one country after another to their side, or at least convince them they should be neutral. By this process they might in 10 to 15 years get most of Asia and Africa on their side. In South America, too, the Russians are actively making business deals and the neutralization of South America is not beyond the realm of possibility. If these developments were to materialize, Europe would be effectively neu-

tralized, leaving the United States and Canada back to back as the last stronghold of freedom.

What can be done to counteract this grim picture? First and foremost, we need to develop a national purpose, to decide what we stand for in the world and get out and sell this aggressively to the rest of the world. Second, we need to develop a positive, dynamic, long-range foreign policy to replace the passive, defensive, day-to-day foreign policy we have had since 1945. This will probably mean a greatly expanded foreign aid program, even if it hurts. Third, we should accelerate our military preparedness, even if it hurts. Fourth, for the longer pull we need to invest more money in education and scientific research, again even if it hurts.

This is the most desperate situation which this country has ever faced, but with realistic thinking, hard work, pulling in the belt, and a resurgence of the pioneer spirit which built this Nation, we can survive with honor and freedom.

NOMINATION OF HON. BROOKS HAYS TO BE MEMBER OF BOARD OF DIRECTORS, TENNESSEE VALLEY AUTHORITY

Mr. FULBRIGHT. Mr. President, the Senate unanimously approved the nomination of Brooks Hays the day before yesterday as a member of the Board of Directors of the Tennessee Valley Authority. I take this opportunity to express my appreciation to the Senate for this vote of confidence in Mr. Hays.

I think he is admirably qualified for service on the TVA Board. I have come to know him well through the years of our friendship—we have known each other since our school days at the University of Arkansas—and I have great confidence in his ability. He has long been interested in the field of conservation and flood control, and worked diligently while a Member of the House of Representatives to enact legislation on these matters of such vital importance to our country. He will bring to this position a wealth of experience, an intelligence of the job to be done, and the ability to do it.

As my colleagues of the Senate know, Brooks Hays has made many contributions to his State and to his country. I am glad he has been given this opportunity for further service.

ADDRESS BY HON. WALTER S. ROBERTSON AT SWEET BRIAR COLLEGE, VIRGINIA

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a remarkably fine speech made by the Honorable Walter S. Robertson, Assistant Secretary of State for Far Eastern Affairs, at Sweet Briar College on June 1, 1959.

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

COMMENCEMENT ADDRESS BY THE HONORABLE WALTER S. ROBERTSON, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS, AT SWEET BRIAR COLLEGE, VIRGINIA, JUNE 1, 1959

President Pannell, members of the faculty, graduates of the class of 1959, distinguished guest, ladies, and gentlemen, I was very flattered to receive the invitation to be your commencement speaker today. Sweet Briar is a name to lure all Virginia males whether he be a romantic from a nearby college, an oldster fostering nostalgic memories of his youth and this campus, a fond father of a Sweet Briar product, or just the ordinary run-of-the-mine Virginian who even though he be devoid of Sweet Briar romance, memories or parenthood takes great pride and gratification in the stream of beauty, charm and culture which flows from these walls to the social and intellectual enrichment of his State.

In this mood it may appear somewhat inappropriate for me now to address you on a subject deeply concerned with the hard realities of a world which seems completely removed from this lovely, peaceful scene. I do so only because there is no escaping the necessity of facing up to the world as it is if the values which make such scenes as this possible are to be preserved.

You of the class of 1959 have doubtless sought to appraise what kind of an adult world you are entering today as graduates. It is, then, perhaps appropriate to recall what Charles Dickens, in what is perhaps his most frequently quoted passage, said of a period almost 200 years ago: "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness * * *, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us." It was, he concluded, a period very like the one in which he was then living 100 years later.

In the face of Dickens' assertion that all ages are alike in combining the best good and the worst evil, the brightest promises and the direst threats, and that each age thinks itself unique in such a paradox, one hesitates to claim this character especially for one's own. Yet Dickens himself, as much as anyone, would surely be overawed by the extremity of the alternatives that confront us in the middle of the 20th century. Scientific discovery and invention are continually opening up new possibilities and they are doing so at a rate of progress that is constantly accelerating. Each year we see ever greater possibilities more clearly before us.

On the one hand, we can perceive ahead of us an age of plenty in which poverty and disease will finally have been conquered: we shall have come to control our environment, our horizons shall have been extended deep into the heart of matter and far out into space. On the other hand, we can perceive as an equally plausible possibility the destruction of civilization—conceivably life itself—by atomic devastation and the poisoning of the atmosphere or, if that is avoided, possibly the triumph of a barbarism of the spirit welling up in modern totalitarian form that could overwhelm our civilization as Rome was overwhelmed by a more innocent barbarism, ushering in a new Dark Ages.

The unhappy paradox of this happy day is that you are graduating into a world in crisis. All of the freedoms, opportunities and blessings which we are likely to take for granted are at stake in a grim global struggle for the survival of a free civilization.

America cannot escape its role in this struggle even if it would.

One of the things that we Americans discovered when we were rudely awakened on December 7, 1941, from our dream of isolationism was that global peace and our own national security are indivisible. Reluctantly we came to accept the fact that aggression anywhere is a threat, however disguised or apparently remote to our own freedom. We learned that events in one part of the world affect every other part. We learned that no matter how remote the fire may be, we must help to put it out, lest it consume us all. We learned another uncomfortable lesson, too—that American wealth and productive capacity has given us power and with that power has come world leadership, unsought and unwanted.

Whether, as Dickens put it, we are "all going direct to Heaven" or are "all going direct the other way" is likely to be decided primarily by the way the United States exercises the leadership that has inescapably come to rest upon it.

Rather than a generalized discussion of problems the world over, I should like to concentrate my remarks today on the Far East which has been my area of specialization for 10 out of the last 16 years. Specifically I would like to talk about our China policy which is an integral part of our policy toward Asia and indeed the world at large.

The Far East is a strategic and critical area in the free world struggle against the forces of international communism. It is a vast area: 13 countries, 900 millions of people, approximately one-third of the world's population. It includes: Japan, Korea, China, the Philippines, Vietnam, Laos, Cambodia, Burma, Thailand, Indonesia, Malaya, Australia, New Zealand; eleven Asian countries and two Anglo-Saxon countries in an Asian setting.

The 11 Asian countries comprise a region of great diversity, divided by sharp differences in tradition, religion, culture, and circumstances. The economies range from the great industrial, mercantile complex of Japan to the primitive economies of southeast Asia. Eight out of eleven of these countries have achieved their independence since 1945.

Taken as a whole, the area is one of great potential wealth in both human and natural resources, but, with few exceptions, now suffering from mass poverty and ignorance, economic and political instability, shortage of investment capital, shortage of technicians of all kinds, shortage of educational facilities, deep resentment of Western colonialism, deep suspicion of the white man and fear of a new exploitation. It is an area seething with a new spirit of nationalism, social unrest and rising aspirations for a place in the sun and a better life for its poverty-stricken millions. And interrelated with and overriding all of its problems are the aggressions, infiltrations, and subversions of the International Communists.

The governments of all of these free countries have a gnawing fear of the growing power and threat of Red China. And because Red China is a major threat to their new found independence, and therefore a major threat to the security of the free world, it is essential that China policy be coldly realistic and one that best serves free world security interests and objectives.

I need not remind you that United States-China policy has been a subject of bitter controversy. It has disrupted friendships, has lent itself to name-calling, to the questioning of motives, and in some tragic instances to the questioning of loyalty itself. But strange as it may seem, United States-China policy has probably enjoyed a larger measure of bipartisan support in the United States than any other major policy of our Government.

Since 1950, the difference in basic China policy between former President Truman and President Eisenhower is the difference between Tweedle-dum and Tweedle-dee.

In early 1950, following the Communist takeover of the mainland in December 1949 and about the time of British recognition, President Truman vetoed the recommendation made to him that we recognize Red China. The Republican attack on the Democrats in the 1952 election campaign was not on basic China policy as it then was, but rather on what was alleged to have been the vacillations and blunders which had helped to create the Frankenstein monster of Red

China and enhance its menace to the free world. In 1956, an election year, a Democratic-sponsored resolution, reaffirming support of the Republic of China and opposing the seating of Red China in the United Nations, passed the House by a vote of 391 to 0, and of 86 to 0 in the Senate. Not a single Congressman or Senator of either party was willing to vote against this resolution. This is a phenomenon unprecedented in American political history. When the parties later assembled for their national conventions they adopted almost identical planks in support of this policy. In the recent Taiwan crisis, Mr. Truman was among the first to come out in strong support of President Eisenhower's position. To repeat, the differences of opinion about China policy do not represent differences between political parties but rather differences between individuals, irrespective of party lines.

Herbert Feis called his book on the subject "The China Tangle." It is a good name. The controversy is indeed a tangle, a tangle of truths, untruths, and half-truths. It is entangled by Communist propaganda and distortions. The Communists will always see to it that this is so. It is entangled by the unwitting acceptance by many highly respected and intelligent Americans of the subtle propaganda and misinformation to which they are subjected. It is entangled by our early failures to recognize the origin, nature, direction, and control of the Communist revolution in China. It is entangled by the corruption and ineptness which existed in certain elements of the Kuomingtang, but which was exploited so as to make it appear that all Chinese Government leaders were corrupt and inept. And finally, it is entangled by honest differences of opinion among the objective and well informed; differences of opinion which, thank God, have always existed and always will exist concerning public questions in the kind of free society we are struggling to preserve in the world today.

But despite this controversy and however complex it might be in implementation, our policy is simple to state. On the one hand, our policy is to face up to the realities of Chinese Communist objectives, opposing the further spread of Chinese Communist influence and power. On the other hand, as a principal means to this end, our policy is to keep alive, support and strengthen, a non-Communist Chinese Government, firmly oriented to the free world, as a foil and a challenge to the fanatical, aggressive, hostile, and threatening international Communist regime of Peiping, an implacable enemy dedicated to the destruction of all the foundations upon which a free society rests.

It is often charged that our policy is tied to the political fortunes of one man: Chiang Kai-shek. This is a reductio ad absurdum. Chiang is in fact a time-tested friend and ally. He has never broken his word to us or an agreement with us. Following Pearl Harbor in 1941, all of the Western Powers were soon swept from the Western Pacific. We were swept about as far as we could be swept this side of the South Pole—Melbourne, Australia. When the Japanese had Chiang bottled up in Chungking, having occupied all of his ports of entry and large sections of his country, and with no ally within the range of help, they made him a princely offer to sell out to them. He refused, fighting on against overwhelming odds. This refusal saved thousands of allied lives. Had he sold out, there would have been released from 1½ to 2 million additional Japanese troops to oppose our island-hopping advance up from the south.

He refused to sell out to the Russians. After the Russians had occupied Manchuria—that great prize which they received for a 5-day nominal participation in the Pacific war, and, incidentally, the most strategic base in all of Asia for carrying out their objectives of communizing Asia—they invited Chiang to come into their economic orbit, saying that they would settle his Communist problem for him. He rejected this offer, and they retaliated by refusing to allow the United States to transport troops of the Nationalist Government into Manchuria to take over territory in accordance with solemn agreements to which the Soviets were party. Instead, the Soviets turned over vast areas and Japanese arms and equipment to the Chinese Communists. This, despite the fact that the Soviets had just signed a treaty with the Republic of China, on August 14, 1945, the day the Japanese surrendered, acknowledging the Republic of China's sovereignty over Manchuria and pledging all moral, material, and military suport to that government. And finally, Chiang has repeatedly refused to sell out to Peiping, which constantly plies him with lavish offers.

Be all this as it may, if Chiang should die tonight, the validity of our policy would in no way be affected. Today, as in the past, there are only two choices available to us: the anti-Communist Republic of China, our friend, or the international Communist regime of Peiping, a deadly enemy dedicated to our destruction.

Our opposition to the Red regime is not, as you are often told, based upon the disapproval of an ideology or an economic system, much as we abhor both. We recognize many totalitarian regimes with varying economic systems, and we have not refused to sit down with them in the world forum of the United Nations. Nor is our policy, as sometimes charged, based upon an emotional reaction to the Korean war. Our policy is a coldly realistic one, based upon three major considerations, all directly related to the overall collective security of the free world.

The first of these considerations is the security interest of the United States. It is often forgotten or ignored that the recognition of Red China would, as a practical matter, mean the liquidation of the Republic of China with all that would mean to our strategic, psychological, and moral position in our opposition to Communist expansion in the Far East. Taiwan is a vital link in our island chain of defenses in the Pacific, all now covered by bilateral defense treaties. The Chinese military forces on Taiwan of some 600,000 are an important factor in the military balance of power in the Pacific, and a continuing deterrent to the renewal of Communist aggression in Korea or elsewhere in Asia. If Taiwan should be given over to the Communists, Japan, the Philippines, and all of southwest Asia would be seriously threatened.

The second basic consideration is our interest in helping other Asian nations maintain their national independence. Our bilateral and multilateral defense treaties, as well as our mutual security programs, are all designed to this end. If the United States were to abandon its commitments to the Republic of China in order to appease the threatening Red Chinese, no country in Asia could feel that it could longer rely upon the protection of the United States against the Communist threat. These comparatively weak nations would have no alternative but to come to terms—the best they could get—with the Peiping colossus. U.S. recognition of Communist China would automatically result in widespread recognition of that regime by Asian countries, and the permeating presence of Red Chinese diplomatic and other establishments throughout the area. Not only could we then expect a rapid expansion of communism throughout Asia but the moral position of the United States upon which we must rely for much of our strength throughout the world would suffer irreparable damage.

The third major consideration is the long-range interests and future orientation of the Chinese people themselves. The anti-Communist Government of the Republic of China is a symbol of Chinese opposition to communism—the only rallying point in the world for non-Communist Chinese—the only Chinese alternate focus of loyalty for millions of Chinese on the mainland, on Taiwan, and throughout southeast Asia. If the Republic of China should be liquidated, it would extinguish a beacon of hope for millions of mainland Chinese, Taiwan's 10 million would be delivered to the slavery of the mainland, and 12 million overseas Chinese would automatically become increasingly dangerous cells of infiltration and subversion in the countries where they reside.

Let no one say that representation is being denied to 600 million mainland Chinese. The fanatical Marxists of Peiping come no closer to representing the will and aspirations of the Chinese people than the puppet regime of Budapest comes to representing the will and aspirations of the Hungarian people or William Z. Foster comes to representing the will and aspirations of the American people.

The Peiping regime was imposed by force with the volition of only an infinitesimal fraction of the Chinese people. Today, after 9 years, less than 2 percent belong to the party. It has kept itself in power by bloody purges and the liquidation of some 18 million of mainland Chinese in 9 years. No regime representative of its people would have to resort to wholesale murder in order to keep itself in power.

Furthermore, the Red regime has given indisputable evidence that it is part and parcel of the apparatus of the international Communist conspiracy to communize the world.

Back in the 1940's, when the Chinese Communists were being reported by some observers as not being real Communists but rather the leaders of a democratic revolution for agrarian reform, Mao Tse-tung was writing of himself: "I am a Marxist dedicated to communizing China and the world under the leadership of Moscow." All of his subsequent actions have borne out his dedication to that goal. He has faithfully followed every zig and zag of Moscow tactics. When there were rumblings of revolt in eastern Europe, Mao sent Chou En-lai to rally the wavering satellites into unity "under the leadership of Moscow." Despite the price it had to pay in Asian opinion, Peiping proclaimed vigorous approval of Moscow's bloody suppression of the Hungarian revolt. It publicly applauded the execution of Nagy. Mao's bitter denunciation of Tito was not because Tito was not a Communist but rather because he dared to challenge the leadership of Moscow. Most recently, at the 21st Congress of the Soviet Union in Moscow, Chou En-lai addressed the Communists in these words: "The most sacred international duty of Communists in all countries at any time is to strengthen the unity of the countries in the socialist camp headed by the Soviet Union."

In our view, the security interests of ourselves, of Asia, and of the free world as a whole, demand that we take no action which would create international prestige for this regime, which would increase its capacity for advancing its objectives, or which would betray the hopes of those having the will and the courage to resist it.

There is now a concerted campaign being carried on in this country to bring about the recognition of Red China by the United States and the admission of that regime to the United Nations. The campaign is well-organized, well-financed and quietly but very subtly directed. It is concentrating upon church, academic, and business circles knowing full well that these groups are primary factors in the moulding of public

opinion. You will hear much about these questions in the coming months. And so this morning I am going to give you the other side of the story to which you will be subjected. This will be my only chance to do so.

Take first the question of recognition. Since the days of Jefferson, diplomatic recognition of a government by the United States has involved two major tests. The first test is whether the act of recognition would be in the interests of the United States. In our view the diplomatic recognition of Red China would not be in our country's national interests for reasons I have already mentioned. The other test for diplomatic recognition involves not only de facto control of territory but also the ability and willingness to live up to international obligations. What is the record of Peiping by this standard?

Gaining control of the mainland in December 1949, it promptly repudiated the international obligations of China. It confiscated without compensation properties of other nationals valued in the hundreds of millions of dollars, something over 1 billion for the United Kingdom alone. It demanded and received as blackmail money hundreds of thousands of dollars additional before it would issue exit visas for the personnel operating these properties. It threw foreign citizens into jail without trial, including many of our own, and subjected many of them to inhuman tortures. It has flagrantly violated the Korean and Indochina armistice agreements. It has failed to live up to its commitment to us, reached after long negotiation and publicly announced in Geneva on September 10, 1955, to release expeditiously all American citizens imprisoned in China. Five are still being held as political hostages.

If any of you are inclined to say that if we can tolerate the broken agreements of the Soviets, we should be able to overlook the long record of broken agreements by the Red Chinese, I would remind you that Soviet perfidy in breaking international agreements followed rather than preceded recognition by the United States.

The Bolsheviks seized power in 1917. Nevertheless we continued for 16 years to recognize the Kerensky government in exile. By 1933 it seemed that the Communist regime in Moscow might indeed be considered a peaceful member of society. It had committed no action of armed aggression for more than a decade. It had accepted the independence of Estonia, Latvia, Lithuania, and Poland (all later betrayed). It pledged itself to cease its subversive activities in the United States, to respect American rights in Russia, and to settle Russia's public and private debts to the United States.

We need not question that action of recognition under the circumstances which prevailed at the time. However, who can now doubt that recognition would not have been accorded even in 1933 had there been clear warning that Soviet promises given in that connection were totally unreliable and that aggressive war would soon become an instrumentality of Soviet policy. In the case of Communist China, we have been clearly and unmistakably forewarned.

Now how does Communist China qualify for membership in the United Nations?

You will remember when the United Nations was organized in 1945, it was exhaustively debated whether membership should be based upon universality or whether there should be qualifications for membership. It was decided that as the primary purpose of the organization then being formed was to preserve the peace of the world, universality was not the test. The charter finally adopted provides that nations seeking membership must be peace loving and willing to assume and live up to the obligations of the charter. The charter further provides for the expulsion of members who violate it. The only exceptions to this provision are the five permanent members of the Security Council—England, France, China, Russia, and the United States—which can veto their own expulsion.

Is Red China a peace-loving nation?

Let us again look at the record. In February 1950, approximately 2 months after establishing its regime on the mainland, it issued a call to all peoples of southeast Asia to overthrow their governments, denouncing their leaders as puppets of the imperialists. Before the year was out, it invaded Tibet even though the Peiping regime had just promised the Government of India that it "would settle the Tibetan question by peaceful means." Nine years later it is now still engaged in the ruthless and bloody liquidation of the rebellious Tibetans. Also, before the year 1950 was out, it invaded Korea. For the Korean aggression, it was denounced by United Nations resolution as an aggressor against the peace of the world. That resolution is still outstanding and Red China is still defying the United Nations, charging that the United Nations are the aggressors in Korea and therefore without moral authority or competence to supervise free elections for the unification of the country. Today Red China is still threatening war in the Taiwan Strait, stubbornly refusing throughout 89 meetings in Geneva and Warsaw to renounce war as an instrument of national policy. Its philosophy was recently expressed by the Peiping Defense Minister in this language:

"Ours is a policy of fight-fight, stop-stop, half-fight, half-stop. This is no trick but a normal thing."

By no stretch of interpretation of the United Nations Charter could Red China qualify under that charter as a peace-loving nation. Those advocating membership for Peiping are not demanding that Red China change its ways and conform its policies to United Nations standards, but rather are insisting that the United Nations modify its standards to accommodate the lawlessness of Peiping. Those who are opposed to such denigration of the United Nations Charter are charged with being unrealistic and denying the existence of 600 million Chinese.

You might think from much of what you read in the press that the United States occupies an isolated position in its refusal to recognize Red China. I would remind you that of the free countries of the world, 45 recognize the Republic of China, 22 recognize Peiping. Many of the 22 recognized Peiping before it had demonstrated its lawlessness. Of the 13 countries of the Far East, only 3 recognize Red China. Instead of being isolated, we stand with the overwhelming majority of the countries of the free world in this position. It is essential that this majority continue to stand together. Other countries, particularly those most exposed to the immediate menace of Communist power, have been following the lead of the majority. Many of them are watching anxiously to see what we are going to do. If the United States should break ranks and withdraw its opposition to the reckless course of this aggressor these countries would have no alternative but to get on the bandwagon so as not to be left out on a limb of opposition, deserted by our support.

Our view of the China situation is the same as that we hold with respect to the other three divided countries of the world where the Communists now exercise de facto control over large areas of territory. We consider it to be in our national interest and in the interest of the free world to recognize the Republic of Korea, not the puppet Communist regime of North Korea; to recognize the Republic of Vietnam, not the Communist puppet Vietminh regime of Ho Chi Minh; to recognize the Republic of Germany, not the puppet Communist regime of East Germany.

In closing I should like to mention an ancient Chinese proverb and then one final word to you. The proverb is in the form of question and answer. "What is the cure for muddy water?" the question goes; "Time" is the answer. In the long rollcall of history, Nazism and Fascism will be episodes only, dark incidents if you will. So, too, will communism be, although the most evil and pervasive of the three. Man will not permanently endure the cruel enslavement imposed by the ruthless regimes of international communism. But his liberation will be immeasurably delayed by frustrated appeasement of the forces which enslave him. An awful responsibility rests upon us—upon our patience, upon our steadfastness, upon our courage, and above all, upon our strength. How we counter the menace now posed to our freedom will determine the climate of the world for as far into the future as we can see.

That great American, John Foster Dulles, in the last few weeks of his catastrophic illness received over 32,000 letters from people all over the world—a dramatic universal recognition that he epitomized those qualities of mind and heart so desperately needed in these critical times. One letter consisted of only 12 words. I wish to leave them with you:

"Fear knocked upon the door,
Faith answered—and no one was there."

EXTENSION OF FAIR LABOR STANDARDS ACT TO CHILD LABOR ON FARMS

Mr. DODD. Mr. President, earlier this week I joined the distinguished senior Senator from Michigan [Mr. McNAMARA] and other Senators in cosponsoring legislation which would extend the protection of the Fair Labor Standards Act to child labor on our Nation's farms. Today I wish to speak very briefly about the need for this legislation.

Hundreds of thousands of children under the age of 13 are toiling on commercial farms without any protection as to hours, wages, or conditions of work. Additional thousands between the ages of 14 and 16 work on farms without any of the protections given by Federal law to children in this age bracket who are employed in other work.

Our goal is to see to it that agricultural child labor is carried on under regulations issued by the Secretary of Labor, regulations which guarantee the same humane standards of employment required in other branches of our economy.

Our goal is to make sure that child labor on farms is confined to periods that will not interfere with the child's schooling, that maximum hours and minimum wages are enforced, and that child labor takes place under conditions that will not endanger health and general well-being.

The McNamara bill is a step in the direction of achieving these goals and the step toward the larger goals of eliminating all the related abuses in the field of migratory farm labor.

The exploitation of children in any area of our economy is a national disgrace. There is no justification for winking our eye at this disgrace through continuing the present exemption of agriculture under the Fair Labor Standards Act.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, on Monday, we expect to have the Senate take up the military construction bill. However, appropriation bills and conference reports will always have the right-of-way. It may be that we shall then be able to take up conference reports on the tax bill or on the agricultural appropriation bill or on some of the other appropriation bills. If the committees of conference reach agreements over the weekend, we shall call up the conference reports on Monday; and I should like to have all Members be on notice that that may be done, and that there may be some yea-and-nay votes.

Mr. President——

The PRESIDING OFFICER. The Senator from Texas.

AUTHORIZATION TO FILE CONFERENCE REPORTS DURING ADJOURNMENT OF THE SENATE

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that authority be granted to file conference reports during the adjournment of the Senate.

The PRESIDING OFFICER. Without objection, consent is granted.

TRANSACTION OF ADDITIONAL ROUTINE BUSINESS

By unanimous consent, the following additional routine business was transacted:

CERTAIN CONSTRUCTION AT MILITARY INSTALLATIONS—REPORT OF A COMMITTEE

Mr. STENNIS. Mr. President, from the Committee on Armed Services, I report an original bill to authorize certain construction at military installations, and for other purposes, and I submit a report (No. 434) thereon.

The PRESIDING OFFICER. The report will be received and printed, and the bill will be placed on the calendar.

The bill (S. 2280) to authorize certain construction at military installations, and for other purposes, was received, read twice by its title, and placed on the calendar.

ECONOMIC REGULATION OF ALASKA RAILROAD—REPORT OF A COMMITTEE

Mr. BARTLETT. Mr. President, from the Committee on Interstate and Foreign Commerce, I report favorably, with amendments, the bill (S. 1508) to provide for economic regulation of the Alaska Railroad under the Interstate Commerce Act, and for other purposes, and I submit a report (No. 435) thereon. I ask unanimous consent that the report be printed, with minority views.

The PRESIDING OFFICER. The report will be received and printed, as requested by the Senator from Alaska, and the bill will be placed on the calendar.

ADDITIONAL BILLS INTRODUCED

The following additional bills were introduced, or reported, read the first time, and, by unanimous consent, the second time, and referred or placed on the calendar, as indicated:

By Mr. KENNEDY:

S. 2279. A bill for the relief of Constantinos Boumis; to the Committee on the Judiciary.

By Mr. STENNIS:

S. 2280. A bill to authorize certain construction at military installations, and for other purposes; placed on the calendar.

(See the remarks of Mr. STENNIS when he reported the above bill, which appear under the heading "Report of a Committee".)

By Mr. SALTONSTALL:

S. 2281. A bill to prescribe limitations on the power of the States to impose income taxes on business entities engaged in interstate commerce; to the Committee on Finance.

(See the remarks of Mr. SALTONSTALL when he introduced the above bill, which appear under a separate heading.)

CONCURRENT RESOLUTIONS

PRINTING OF ADDITIONAL COPIES OF HEARINGS ON "FALLOUT FROM NUCLEAR WEAPONS TESTING"

Mr. ANDERSON submitted the following concurrent resolution (S. Con. Res. 53); which was referred to the Committee on Rules and Administration:

Resolved by the Senate (the House of Representatives concurring), That the Joint Committee on Atomic Energy be authorized to have printed for its use fifteen thousand additional copies of the public hearings on "Fallout From Nuclear Weapons Testing," held by the Special Subcommittee on Radiation during the Eighty-sixth Congress, First Session.

Mr. KENNEDY (for himself and Mr. SALTONSTALL) submitted a concurrent resolution (S. Con. Res. 54) honoring Arthur Fiedler on the 30th anniversary of his association as conductor with the Boston Pops Orchestra, which was referred to the Committee on Labor and Public Welfare.

(See the above concurrent resolution printed in full when submitted by Mr. KENNEDY, which appears under a separate heading.)

LIMITATION ON POWER OF STATES TO IMPOSE INCOME TAXES ON CERTAIN BUSINES ENTITIES

Mr. SALTONSTALL. Mr. President, I introduce, for appropriate reference, a bill which I hope will preserve the rights of our States to reasonable tax revenue from businesses operating within their borders, but at the same time will protect the Nation's business enterprises and their commerce from undue burdens of multiple taxation, and uneconomic accounting and legal costs.

Mr. President, in the cases of Northwestern States Portland Cement Company against State of Minnesota, and T. V. Williams against Stockham Valves & Fittings, Inc., the Supreme Court held on February 24, 1959, that "net income from the interstate operations of a foreign corporation may be subjected to State taxation provided the levy is not discriminatory and is properly apportioned to local activities within the taxing State forming sufficient nexus to support the same." The Court's decision left some doubt as to what it would regard as a "sufficient nexus" to expose an out-of-State corporation to State taxation of its income.

Thirty-five States now impose direct net income taxes on corporations. In his dissenting opinion Justice Felix Frankfurter pointed out that this decision will "stimulate every State of the Union, which has not already done so, to devise a formula of apportionment to tax the income of enterprises carrying on exclusively interstate commerce." The Supreme Court's decision is also likely to stimulate States to apply their taxing power to as many business firms as possilbe, regardless of how tenuous their physical presence in the State may be.

Businessmen are understandably alarmed by the prospect of tax problems which this decision may prove to have created. Overlapping and varied State formulae may result in the taxation of more than 100 percent of a corporation's net income. Frequently, the cost of segregating sales by States, and preparing many State tax returns may far exceed the amounts of tax to be paid.

Our Founding Fathers created the United States of America as a free-trade territory, and through the Commerce Clause of the Constitution they tried to outlaw those impediments to commerce which had long plagued the Old World. They gave Congress the power to regulate interstate commerce, and we have done so frequently in many fields. However, we have never exercised that great power in relation to the scope of State taxation. As Justice Frankfurter wrote in his dissenting opinion, "the problem calls for solution by devising a congressional policy."

Mr. President, the time for a firm statement of that congressional policy is now at hand. The Senate's Select Committee on Small Business has held hearings and received much information and advice. A report of its work, with recommendations, will be filed with the Senate today.

All who have studied the problem—business organizations and trade associations, tax scholars from our universities, the staff of our Small Business Committee and your committee—all are convinced that Congress has the power to act—without the need fcr a constitutional amendment. I think this is plainly so.

How shall we act? This is the only question that remains for us to decide.

I believe that much informed opinion has now crystallized upon the proposal contained in my bill. I believe this is a practical bill. It would be fair to the States because it would preserve for them most of the revenue they are now receiving from interstate commerce.

And it would be fair to business by insulating concerns from State taxation unless they have offices or warehouses, that is, a substantial physical presence,

in the taxing State. Most large businesses are already paying such taxes and have expressed no objection to their continuation. However, Congress should draw a firm, clear line to define the limits of the State's taxing power. Thus small business concerns may be protected from the burdens, costs, and difficulties of irrational and duplicative multiple taxation of their income that is otherwise likely to follow in the wake of the Supreme Court's decision.

Mr. President, I ask unanimous consent that my bill, together with a brief explanation, be printed in the RECORD following these remarks, and that the bill may be held at the desk until the close of business Monday, June 29, so that other Senators who wish to do so may join with me in sponsoring this legislation.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill and explanation will be printed in the RECORD, and the bill will lie on the desk, as requested by the Senator from Massachusetts.

The bill (S. 2281) to prescribe limitations on the power of the States to impose income taxes on business entities engaged in interstate commerce, introduced by Mr. SALTONSTALL, was received, read twice by its title, referred to the Committee on Finance, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) no State or political subdivision thereof shall impose an income tax on income derived from a trade or business by a person engaged in interstate commerce unless such person is carrying on such trade or business in such State.

(b) For purposes of subsection (a), a person is not carrying on a trade or business in a State solely by reason of one or more sales of tangible personal property in the State (whether title to such property passes in or outside of the State), if such person does not have or maintain an office, warehouse, or other place of business in the State, and does not have an officer, agent, or representative in the State who has an office or other place of business in the State. For purposes of the preceding sentence, the terms "agent" and "representative" do not include an independent broker or contractor who is engaged independently in soliciting orders in the State for more than one seller, and who holds himself out as such.

Sec. 2. No State or political subdivision thereof shall, on or after the date of the enactment of this act, assess or collect any income tax, or make any levy with respect thereto, which was imposed by such State or political subdivision thereof on the income of any person before the date of the enactment of this act, if the imposition of such tax, on or after the date of the enactment of this act, is prohibited by the first section of this act.

Sec. 3. For purposes of this act, the term "income tax" means any tax imposed on, or measured by, net income.

The explanation presented by Mr. SALTONSTALL is as follows:

EXPLANATION OF BILL TO PRESCRIBE LIMITATIONS ON THE POWER OF THE STATES TO IMPOSE INCOME TAXES ON BUSINESS ENTITIES ENGAGED IN INTERSTATE COMMERCE

Section 1 of the bill would prohibit a State, or political subdivision thereof, from imposing any income tax on an out-of-State business firm unless such firm maintains an office, warehouse, or other place of business within the State. Any firm doing business in a State only through an independent broker or contractor would not be subject to taxation nor would firms doing only a mail order business or merely sending traveling salesmen or shipping merchandise into the State.

Section 2 would make the bill's limitation on the taxing power of States and their political subdivisions operate retroactively as well as for the future by barring any State from assessing or collecting any tax prohibited by the bill after its enactment.

Section 3 defines income tax as any tax imposed on or measured by net income.

THIRTIETH ANNIVERSARY OF ARTHUR FIEDLER AS CONDUCTOR OF BOSTON POPS CONCERTS

Mr. KENNEDY. Mr. President, on behalf of my colleague, the senior Senator from Massachusetts [Mr. SALTONSTALL], and myself, I submit a concurrent resolution honoring Mr. Arthur Fiedler on the 30th anniversary of his association as conductor with the Boston Pops Orchestra. Saturday evening, the Boston community and the musical world will pay honor to Mr. Fiedler on this special anniversary. Mr. Fiedler has not only been a great musical leader, but also a fine musical educator. The Boston Pops has been a great popularizer of musical works and has also been an important innovator and performer of first works. Moreover, Mr. Fiedler has generously and wisely guided the musical careers of many younger performers and composers. Throughout these 30 years he has maintained the highest standards of musicianship by drawing on the personnel of the Boston Symphony and other leading musicians. Mr. Fiedler and his orchestra have not been in Boston's possession alone, but they have traveled widely in this and in foreign countries as well. Mr. Fiedler enjoys renown throughout the world, both from his live performances and from his many recordings. Everywhere in the world the Boston Pops Orchestra ranks as one of America's most inspiring cultural exports. It is only proper that we honor this American institution whose influence and traditions are international.

Mr. Fiedler's 30-year tenure with the Boston Pops is, to our knowledge, the longest current association of conductor and orchestra anywhere in the world. We hope that the Congress will pay this tribute to Mr. Fiedler by means of this resolution.

I ask unanimous consent that an article appearing in the New York Times of May 24, 1959, entitled "Fine Spirits," written by Howard Taubman be printed in the RECORD.

The PRESIDING OFFICER. The concurrent resolution will be received and appropriately referred, and, without objection, the concurrent resolution and article will be printed in the RECORD.

The concurrent resolution (S. Con. Res. 54) was referred to the Committee on Labor and Public Welfare, and under the rule, ordered to be printed in the RECORD, as follows:

Whereas Arthur Fiedler has been conductor of the Boston Pops Concerts for thirty years, one of the longest tenures in musical history; and

Whereas Arthur Fiedler's personality, flair, and sound musicianship have made these concerts known throughout the world; and

Whereas Arthur Fiedler has made an enormous world public aware of the charm and satisfactions of good popular music played by a symphony orchestra; and

Whereas in these thirty years Arthur Fiedler has led over two thousand concerts in this country and abroad heard by audiences of many millions; and

Whereas Arthur Fiedler has spread the pleasure of music to millions more by means of radio, television, and sound recordings; and

Whereas Arthur Fiedler and the Boston Pops Orchestra in these thirty years have come to occupy a unique position in the musical history of Boston, the United States of America, and the world: Therefore be it

Resolved by the Senate (the House of Representatives concurring), That the Congress of the United States of America hereby heartily congratulates Arthur Fiedler on his thirtieth anniversary as conductor of the Boston Pops Concerts and expresses the gratitude of the Nation for his contribution to our cultural life and musical heritage.

The article presented by Mr. KENNEDY is as follows:

[From the New York Times, May 24, 1959]

WINES AND FLOWERS ADD TO GAY AIR AT "POPS"

(By Howard Taubman)

When it comes to the practice of combining a symphony orchestra and informality, New York has a lot to learn from the proper Bostonians. They have turned their Pops into an institution, just as they have given this short word national currency as a term for popular concerts.

It is necessary to visit Symphony Hall in Boston to see and hear the Pops in action if one wishes to discover the secrets of their success. A specially organized Boston Pops Tour Orchestra has traveled across the country, and recordings by the Boston Pops have sold widely. The tours and the disks have made the music familiar. But to get the flavor of the audience, go to Symphony Hall in May and June.

The very hall has altered its appearance from its formal winter decor. The walls are painted a light, gay green instead of the dark sober red that prevails during the regular season; to provide for this change in dress a big painting job is done twice a year. Spring blooms and green leaves grace the front of the stage. And on the main floor of the auditorium the normal seats in their serried ranks have been removed and replaced by tables and chairs.

YOUNG AUDIENCES

The Pops gathering is markedly different from that of the regular season. It is younger, less reserved and much less social, if far more sociable. Its attitude seems to be that music is for relaxation rather than uplift and that the Pops are just as diverting a place to spend an evening as a movie house.

Attendance at the Pops is like going to a party. Ticket prices are modest. You share a table with your friends. If you can afford it, you also share a bottle of wine. A selection of imported and domestic brands is available. Champagne goes big. More of it is sold at Symphony Hall in the Pops season than any other place in Boston. There is a connection, after all, between wine and

song. As for the third member of the famous trio, the women, bless them, they are, of course, indispensable and they are on hand to adorn the occasion.

The Pops make provision for purses that cannot afford champagne. You can have beer, a special Pops Punch and soft drinks as well as coffee and tea. If you are hungry, you can order sandwiches and a variety of desserts. Good companions and a satisfied appetite make for a sense of well-being, as the wine cellars and beer gardens of the Old World discovered a long time ago, and cheerful music does its share to enhance the mood.

The programs at the Boston Pops are designed to reflect the spirit of the occasion. Works of somber hue and subtle construction rarely are included. The great symphonies, concertos and tone poems, which carry the burden of the winter season, play a small role here. Dance suites, waltzes, marches, sentimental tunes, rousing occasional pieces and even tunes from Broadway, Hollywood and Tin Pan Alley are in favor.

VARIED PROGRAM

On a recent Saturday night the program began with the Wedding March from Rimsky-Korsakoff's "Coq d'Or." Offenbach's "La Belle Hélène" Overture, the Bach-Gounod "Ave Maria" and Khatchaturian's "Gayne" Suite rounded out the first group. Handel's F major Organ Concerto, opus 4, No. 5; Rimsky-Korsakoff's "Capriccio Espagnol," and a group of songs by a glee club from a women's college in Boston made up the second section. The final one embraced selections from "My Fair Lady," the film tune, "Love Is a Many-Splendored Thing," and Sousa's "The Stars and Stripes Forever."

In the "Ave Maria" the audience was hushed by the religious sentiment of the tune and the sensitive violin solo by Alfred Krips, the Pops concertmaster. In the Handel concerto, there was also a reasonable silence. One learned later that the waitresses have instructions not to take orders or serve during numbers with a claim to close attention.

For the rest the strict politesse of the winter concert season, whether in Boston or New York, was not observed. People sipped, munched, or smoked during the performances. Most of them were quiet, though a few insisted on chatting in whispers. At one table there was a group, one noticed, that behaved as if the music were a challenge to its vocal cords. The louder the fortes of the orchestras the shriller became the voices of these persons. The moment the music stopped they, too, subsided into tranquillity.

This group, however, was exceptional. One would guess that it was fairly new to the Pops and to music of any kind. The audience as whole relished the program and the performances.

The standards of execution were uncommonly high. Arthur Fiedler, who is conductor of the Boston Pops for the 30th consecutive year, is a solidly trained musician with a flair for this kind of performance. With about 90 members of the Boston Symphony Orchestra as the Pops ensemble, he has at his command any color or effect he desires.

He likes to keep things lively. His tempos are brisk, and his crescendos pack a formidable wallop. He can make allowance for subtlety of phrasing and breadth of expression, as he did in the slow movements of the Handel concerto. But he sees to it that the interest of his audience does not lag. He does not look down his nose at Broadway melodies. And if the Boston Symphony tone devoted to a superficial tune seems to a serious concertgoer like a majestic mountain straining at a gnat, that is not how the Pops customers feel.

MUSICAL CONTRIBUTION

The Pops make a musical contribution beyond giving the instrumentalists 2 months of additional employment. They play to packed houses. They reach an audience, largely youthful, that does not patronize winter concerts. They accustom these listeners to the glorious sound of a symphony orchestra in the flesh. They entertain and perhaps edify.

This is the 74th season of the Pops in Boston. When Symphony Hall, opened in 1900, was built, it was planned to accommodate these spring programs. The wisdom of this decision has long since been justified. The idea of the Pops has traveled across the land.

In New York these [illegible] have made efforts to capture the spirit of the Boston Pops, but they have failed. The Philharmonic itself must take the lead, and its new hall at Lincoln Center has been designed to make possible a Pops series. The seats on the main floor will be removable, and presumably a catering service will be available. Let the Philharmonic supply the wine and the song, and the men of our city will see to it that the women are on hand to complete a gracious trio.

ADJOURNMENT TO MONDAY

Mr. JOHNSON of Texas. Mr. President, I thank the Senate for its long day of deliberations and for the successful results obtained.

I now move that the Senate stand in adjournment until Monday, at noon.

The motion was agreed to; and (at 1 o'clock and 4 minutes a.m. on Friday, June 26, 1959), the Senate adjourned until Monday, June 29, 1959, at 12 o'clock meridian.

NOMINATION

Executive nomination received by the Senate June 25, 1959:

CALIFORNIA DEBRIS COMMISSION

Col. Howard A. Morris, Corps of Engineers, to be a member and secretary of the California Debris Commission, under the provisions of section 1 of the act of Congress approved March 1, 1893 (27 Stat. 507) (33 U.S.C. 661), vice Col. Albert E. McCollam, Corps of Engineers, reassigned.

EXTENSIONS OF REMARKS

June Is Dairy Month in New York State

EXTENSION OF REMARKS
OF
HON. KENNETH B. KEATING
OF NEW YORK
IN THE SENATE OF THE UNITED STATES
Thursday, June 25, 1959

Mr. KEATING. Mr. President, June is Dairy Month in New York State, and I have prepared a statement regarding the celebration in our State, which I ask unanimous consent to have printed in the RECORD.

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

JUNE IS DAIRY MONTH IN NEW YORK STATE

The month of June is being celebrated as Dairy Month in the State of New York. It is appropriate that this potent and essential force in the economy of the Empire State should be so honored, particularly because it is often overshadowed in the public mind by our commercial and industrial attributes.

New York has for many years been a leading State in the production of dairy products. It currently ranks second in the entire Nation.

I am pleased on this occasion to pay tribute to the dairy industry which has contributed so much to the health and diets of people throughout the world. Indeed, the story of milk is probably as old as the story of man. In its production, its nutritional value, its importance to the economy, may be read the progress of the human race.

Each year research uncovers more facts which reemphasize the importance of milk and the numerous products of milk as vital foods for infants, children, and adults. At the present time no entirely satisfactory substitute has been found for milk, the one item solely designed by nature to serve as a food. Milk has been called one of nature's "wholes" by noted authorities on nutrition. Milk contains some of all the known essential food nutriments. Some of these are present in greater amount than others but all are present in significant amounts. It can thus be called nature's most perfect food.

While in the minds of many people the production of other industries tends to obscure the production of dairy products, agriculture is still the oldest and most widespread of them all. The cash receipts from the farm sales of dairy products in the Empire State in 1958 amounted to nearly $434 million and accounted for slightly more than 50 percent of the total cash receipts from all farm marketings in the State.

As of January 1, 1959, the number of milk cows in the State 2 years old and over totaled 1,409,000. The care of these dairy cows and the farm production of feed for the dairy herds provide jobs and income for thousands of rural residents on some 100,000 farms in New York. During 1954, the latest year for which official data are available, more than 28,000 persons were employed on dairy farms in the State of New York. Wages paid to these farmworkers totaled more than $35 million in 1954.

The distribution of milk and its products in the State requires the operation of hundreds of pasteurization and bottling plants as well as over a thousand plants to produce butter, cheese, ice cream, dried milk, condensed and evaporated milk and a number of other products. It has been estimated that about 3,000 licensed milk dealers serve consumers throughout the State.

Out of every dollar the average consumer spends for food for home use in this country about 17 cents goes for dairy products. Dairy products in one form or another are used in nearly every meal we eat every day.

We have been blessed in the United States with abundant supplies of milk and the products of milk for as long as we can remember, thanks to the dairy farmers of New York and the entire Nation. Let us hope that the dairy industry of the State of New York and of the country as a whole will remain strong and that we will always be assured of an adequate supply of good wholesome milk and its products.