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, where income tax revenue is derived 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 income 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 payment has nothing to do with the consumer in Utah. These are but obvious examples of the irrelevancy 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 $200,002,000 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 understand, give us faith to find out Thee and Thy ways in every place.

In simple, childlike trust we look to Thee at the beginning of our legislative day for that meed of wisdom which comes 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 on Ways and Means:

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 3606 of the Tariff Act of 1930 as amended.

Through the trade agreements program the United States plays a role in fostering and initially 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 afford 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 operations from new 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 a guiding instrument.

Dwight D. Eisenhower,


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. MacRae, Corps of Engineers, as Under Secretary of the Army, to which the Senate is requested to give its advice and consent. The nomination 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 by 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. 5. An act to establish rules of interpretation governing questions of the effect of acts of Congress on State law;

H.R. 1170. An act to continue until the close of June 30, 1960, the suspension of duties on metal scrap, and for other purposes;

H.R. 7597. 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 law; 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 to the Committee on Finance.

H.R. 7597. 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 the time for debate in connection therewith be limited to 3 minutes.
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 252

Whereas under authority of a resolution adopted May 21, 1957, by the Committee on Interstate and Foreign Commerce, 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 85-587) storage for flood control 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 whether or not the city of Paris would be prepared to enter into contract with the United States for water supply storage, provided a 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 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 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. Kenheme, City Clerk.
Ben F. Macquin, City Attorney.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

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

H.R. 7907. 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, individually outstanding at any one time (Rept. No. 432).

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

S. 1981. A bill to amend title 46, United States Code, to provide that certain 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:


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

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

Richard L. Bixton, 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. 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. McCARTHY:

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

By Mr. WILLIAMS of New Jersey:

S. 2278. A bill for the relief of Thomas Gargano; and


By Mr. MORTON:

S. 2278. A bill to amend section 101(c) of the Agricultural Act of 1949 and the act of July 20, 1946, to stabilize and protect the level of support for tobacco; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. Mossow 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 hearing thereof in accordance with the provisions of sections 1452 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 Committee 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 INCORPO­ RATE 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 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 provide that the corporation may hereafter at any time be established.

I am sure all of us here in the Senate are familiar with the fine work being done by St. Ann's in the field of adoption. Thousands of homeless children and has given them the guidance and help in their early lives which they were being denied. Perhaps what is even more important is that the corporation also takes in thousands of homeless children and has given them the guidance and help in their early lives which they were being denied.

St. Ann's is located at 2200 California Street in Northwest Washington. This building has served its purpose for many years, but the conditions under which the institution is operating 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.

The present building has served its purpose for many years, but conditions under which the humanitarian record made by St. Ann's have been achieved is vastly different than when this act was passed. As a result, the corporation is facing a serious financial need.

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 PRESIDENT OF THE UNITED STATES (Mr. Young of Ohio in the chair). The bill will be referred to the Committee on the District of Columbia, and ordered to be printed in the Reprint.

The President then presented and read 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 (66 Stat. 768), and further amended by striking out "St. Ann's Infant Asylum" and inserting in lieu thereof "St. Ann's Infant and Maternity Home"; (2) by striking out "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 thereto, as amended 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 Sites, and their successors, shall hereby 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 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 said corporation shall be entitled to retain under the custody of the 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 have power and authority, as fully and completely, to all intents and purposes, as a natural person, to bind them out for a time not to exceed said persons' ages of twenty-one and eighteen years, respectively, as apprentices to learn any trade, skill, or mechanical occupation; and they shall be interested in following any trade, skill, or mechanical occupation; and they shall be entitled to retain under the custody of the said corporation, according to the rules and regulations which now are or may hereafter at any time be established.

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

Mr. MC CARTHY. 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 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 gifts contributed to libraries.

Churches, educational institutions, and hospitals have been placed in a preferred category because of the important contributions 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 educational libraries 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 all 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. 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 seems proper 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 increasing 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 introduce (S. 2274) 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. ROARK] 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 sponsor of S. 1743, Senators Javits, Coors, 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 the 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 be 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. 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 CO-OPERATION 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 majority and minority Chairmen 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, the Subcommittee has prepared the texts of the agreements for the Congressional Record. The British and French agreements are in the Congressional Record of May 19, 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 4221, New Senate Office Building, for the purpose of considering 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 Tuesday, July 7, and Wednesday, July 8, 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, "Loyally 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 1958, 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 acts 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 year 1962. The only serious alternatives now being considered by the Congress 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 general revenues available for other essential programs. Either of these alternatives would be unacceptable to me.

The hearings, which will have an opportunity to notify the committee.

NOTICE OF HEARINGS RELATING TO DUE PROCESS OF LAW BY SUB-COMMITTEE 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.

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.

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 fiscal year 1960 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 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 Act of 1956, the full amounts authorized for the Interstate System cannot be apportioned if the estimated revenues in the trust fund would be insufficient to meet obligations as they fall due. In 1958 Congress suspended the limitations of this
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 allow 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 total 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 apportionments 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**

<table>
<thead>
<tr>
<th>State</th>
<th>Fiscal year 1961</th>
<th>Fiscal year 1962</th>
<th>Required reduction in authorized apportionment ($4,200,000,000)</th>
</tr>
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<tr>
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<td>Authorization</td>
<td>Possible apportionment</td>
<td>Maximum possible apportionment</td>
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<tr>
<td>($2,400,000,000)</td>
<td>($)</td>
<td>($500,000,000)</td>
<td>($500,000,000)</td>
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*Less 1 percent for administration.

**TEN STATES AFFECTED DURING NEXT 2 MONTHS**

SACRAMENTO, CALIF., JUNE 3, 1959.

B. D. TALLAMAY. Bureau of Public Roads:

Telephone 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. TALLAMAY. 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 1966 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 by performance 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. ABBEY,
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.

WILLIAM 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 the maximum of only $500 million for 1962, Illinois will have to stop awarding interstate construction contracts on approximately September 15, 1959.

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

B. D. Tallamy,
Federal Highway Administrator, Bureau of Public Roads, Department of Commerce, Washington, D.C.:
Re your 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, the interstate program for 1960 will be under contract by end of July 1959.

JOHN Q. MORTON,
Commissioner.

ALBANY, N.Y., June 4, 1959.
B. D. Tallamy,
Federal Highway Administrator, Bureau of Public Roads:
Re your June 3 telegram 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 $600 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 1961.

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

SALEM, ORE., June 3, 1959.
B. D. Tallamy,
Federal Highway Administrator, Bureau of Public Roads:
Reference your telegram sent through Regional Engineer Prentice, 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. FAXON,
Assistant State Highway Engineer, Oregon State Highway Department.

MONTPELIER, Vt., June 4, 1959.
B. D. Tallamy,
Federal Highway Administrator, U.S. Department of Commerce, Bureau of Public Roads:
Failure to continue full apportionment of Federal aid will have serious impact on work in Vermont. Will have to stop awarding interstate contracts by August 31, 1959, Any stoppage of program will require several years to rebuild our highway department organization.

WILLIAM POTTER,
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. BUTLER,
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 advertising 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:
Re your June 3 based on current schedule, Louisiana will 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, U.S. 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.
B. 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.

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 lettings. We have only approximately $12 million remaining which under normal scheduling would run only 6 months.

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

B. D. Tallamy,
Federal Highway Administrator, Bureau of Public Roads:
Reurtel North Dakota 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. Wente,
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.

B. D. Tallamy,
Federal Highway Administrator:
Reurtel based on present appropriations through 1960 interstate contract awards would stop October 1959.

C. R. MCMLLAN,
Chief Highway Commissioner.

NASHVILLE, Tenn., June 4, 1959.
B. D. Tallamy,
Administrator, Bureau of Public Roads:
Reurtel interstate apportionment Tennessee will have to stop awarding interstate construction contracts not later than September 30, 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 required it 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:

According to your wire June 3 to C. L. Bower. 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. BUDGE,
Director of Highways.

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

BERTRAM D. TALLAMY,
Federal Highway Administrator,
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.

P. G. GRANEY,
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:

Re your wire June 3. If there is no apportionment of interstate funds for 1961 and only 500 million maximum for 1962, Wyoming will not award interstate contracts after October 1, 1959, unless 1961 interstate apportionment is made. Interstate program is two-thirds of Wyoming road program which constitutes 28 percent of State economy.

J. B. BROOKLEY,
Superintendent, Chief Engineer, Wyoming Highway Department.

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

Re your wire June 3, 1959, based on that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, advise Maryland's status as follows: For the year 1959-60 would be terminal date for award 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. FLETCHER,
Chief of Engineers, Maryland State Roads Commission.

BALTIMORE, MD., June 4, 1959.

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

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

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

CHEYENNE, WYO., June 3, 1959.

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

Re your wire June 3 to C. L. Bower. Assuming no 1961 interstate apportionment and a maximum of $500 million for 1962, Wyoming will not award interstate construction contracts.

W. L. ATKEN,
Director, Department of Highways and Traffic, District of Columbia.

ELEVEN STATES AFFECTED BY JULY 1960

MONTGOMERY, ALA., June 4, 1959.

BERTRAM D. TALLAMY,
Federal Highway 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.

S. E. JENKINS,
Highway Director.

ATLANTA, GA., June 4, 1959.

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

Re your wire June 3, 1959, based on that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, your Department will be awarded for interstate construction contracts.

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

INDIANAPOLIS, IND., June 4, 1959.

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

Re your wire June 3, 1959, based on that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, it will be necessary to stop awarding Interstate construction contracts.

W. J. FERREL, Chairman.

TOPPELIA, KANS., June 3, 1959.

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

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

ELEVEN STATES AFFECTED BY JULY 1960

ATLANTA, GA., June 4, 1959.

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

Assuming there will be no 1961 interstate apportionment and a maximum of $500 million for 1962, Maryland's status as follows: For the year 1959-60 would be terminal date for award 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. FLETCHER,
Chief of Engineers, Maryland State Roads Commission.

CARSON CITY, NEV., June 3, 1959.

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

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

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

DENVER, Colo., June 3, 1959.

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

Re your wire June 3, 1959, based on that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, it will be necessary to stop awarding interstate construction contracts.

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

HARRISBURG, PA., June 4, 1959.

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

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

PARK H. MARTIN,
Secretary of Highways.

PHERRE, 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.

JACKSON, MISS., June 4, 1959.

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

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

MATHEW D. TALLAMY,
Chairman, State Highway Commission of Arizona.

TWELVE STATES AFFECTED AFTER JULY 1960

PHOENIX, ARIZ., June 4, 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, Arizona would have to stop awarding interstate construction contracts.

J. W. REEVES,
Director, Arizona State Department of Transportation.

DENVER, Colo., June 3, 1959.

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

Re your wire June 3, 1959, based on that interstate funds will not be available for 1961 and a maximum of $500 million for 1962, it will be necessary to stop awarding interstate construction contracts.

W. J. FERREL, Chairman.

IDAHO STATE AFFECTED AFTER JULY 1960

BOISE, IDAHO, June 4, 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, Idaho would have to stop awarding interstate construction contracts. Assuming no 1961 interstate apportionment and a maximum of $500 million for 1962, Idaho would have to stop awarding interstate construction contracts.

H. H. SHADBURY,
State Highway Engineer, Idaho Department of Highways.

PHOENIX, ARIZ., June 4, 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, Idaho would have to stop awarding interstate construction contracts.

J. W. REEVES,
Director, Idaho State Department of Transportation.
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, 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:

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 a Presidential veto. This is understandable. From the liberal viewpoint there is no denying that, in the words of the Committee for an Economic Almanac, the Administration's position has not supplanted the new national direction, the sense of verve, which optimists expected of the election.

But the real reason for the liberals' frustration goes 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 optimism which characterized 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 that the House should for "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 what I believe will be the necessary steps 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 matter. It may be necessary 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 us an expanded 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 in this 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 security.

What I learned beneath the oceans convinces me that the greatest threat to security may not be the lag in outer space research, but the lag in our oceanographic research. The time is most threatening today. The time is now.]

The seas are highways, strategic areas. They are highways that we do not press research into weather forecasts and internal currents and weather.

But oceanographic research is not only important for military reasons. The seas also are a vast storehouse of mineral wealth and a great economic strength. The seas are also of great importance to the chemical industry—for example, iodine, bromine, and magnesium. And there are concentrations of manganese, cobalt, and nickel on the ocean floor.

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

THE SECRETS 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 crust. It is beginning to appear to us that changes in the storage of gases and heat in the oceans influence the processes. 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 colder areas of the world get along 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, we must push ahead in both peaceful and military endeavors. [Senator Jackson interjected: There are two things we need to do now, in addition to those I mentioned above.

Mr. MAGNUSON. Mr. President, I wish to urge support for this program that will give us an expanded 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 in this 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 security.

What I learned beneath the oceans convinces me that the greatest threat to security may not be the lag in outer space research, but the lag in our oceanographic research. The time is most threatening today. The time is now.

The seas are highways, strategic areas. They are highways that we do not press research into weather forecasts and internal currents and weather.

But oceanographic research is not only important for military reasons. The seas also are a vast storehouse of mineral wealth and a great economic strength. The seas are also of great importance to the chemical industry—for example, iodine, bromine, and magnesium. And there are concentrations of manganese, cobalt, and nickel on the ocean floor.

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

THE SECRETS 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 crust. It is beginning to appear to us that changes in the storage of gases and heat in the oceans influence the processes. 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 colder areas of the world get along 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, we must push ahead in both peaceful and military endeavors. [Senator Jackson interjected: 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 Nautilius' voyage proved, is a whole new theater where we could operate under the protective shield of the Arctic ice. 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 this body no doubt 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.

Mr. Frear, 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 ordered to be printed in the Record, as follows:

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 this country are getting a good return on their investment.

Sincerely yours,

ALFRED B. GOLIÉ.

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 laws.

To plumb their mysteries is vital to our security, to the development of our economy, and to the well-being of all free peoples.

ORDER OF BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business will be in order.

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 him for his 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 the taxes until we could pass the bill. He said he did not favor that procedure, and that he did not expect to reach 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 other than Tuesday. 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 amendment which will be passed. 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 by the time it must be in effect, I shall take the course of the majority leader said:

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 that the Senate shall vote on the bill on Tuesday.

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. It will, I think, be debated on Tuesday. It will, I hope, be passed by Tuesday. I think it is important that the Senate, if it passes this bill, do so before the President signs it.

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

However, I do not think the Senate is so irresponsible and 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 that the Senate shall vote on the bill on Tuesday.

However, 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 that the Senate shall vote on the bill on Tuesday.

My amendment would be to go on record on important tax amendments.
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 it 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 anything 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, 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 not all reported that they will 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 roar count of the 22, I came to the tentative conclusion that there were only 12 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 noise count this morning will disclose a different situation.

For that reason, I ask the distinguished Senator from Texas, at a personal favor to me, to withdraw his unanimous-consent request for a few hours—perhaps no longer than noon—until we can see what the situation is. I think it is of the utmost importance that if at all possible the conditions be 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. 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 this week, and again today, 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 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 judge, 11 or 12 of them will 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 or another.

I do know that the House is very much concerned about its rights in the matter and its prerogative to initiate tax legislation. The House will propose, and oppose strongly, and I think at length, the amendments which have been added to the bill. I do know that the Senate 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 we have followed, and I think we will 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 will 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 us. 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, if there is a difference 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, as the Senator from Pennsylvania wants to be assured that there will be debate.

So I think Senators who are absent could follow the same procedure. If the division among them is 10 to 10, or 11 to 1, 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 no excise taxes. The normal condition of 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 said, 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 some digressions of digressors 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 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. Another amendment would not 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 1, I believe, 15 to 2. I opposed it.

One word more. As I stated yesterday, the bill came from the House on June 6. It was agreed 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 adopted, 24 to 2. 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 Friday 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. These excise taxes are deferred 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
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wide a sumptuous 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 has been much talk of running 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 would ask 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 that Senator that he feels 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 the chair of the House, to come back to the Senate with an appropriate bill from a conference which was not held under pressure.

I agree 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 of 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 on Monday. I think certainly from where he sits, what he did was absolutely right. I have no quarrel with it.

In view of his personal conversations with the able 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? .

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 from six to 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.
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. BYRD of Virginia. That was the amendment of the Senator from Minnesota [Mr. McCarrney], was it?

Mr. McCarrney. Yes. Several members were absent. Each one was given only 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 oil and gas wells was over $5 million, and to 27% percent in the case of those whose gross income from gas and oil wells was between $1 million and $5 million, and to 27% 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 lunches, 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 amended 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. McCarrney] had made such a request, the chairman of the committee would have asked the permission. This is the first time I have had a feeling 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 from Pennsylvania said.

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, 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 amendment 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 $510 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 Senate, from Pennsylvania and other Senators desire to present to the Senate.

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

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 individual tax. 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 soon.

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, perhaps which other Senators will be promoting. 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 that both the Senate and the House 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 evening, 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 $24 billion, or about $5 million a day. If 24 hours were to slip by without the law being extended, practically every retail store the following morning would be confronting consumers with a current of $3 billion or more 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 not happen. The 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. BYRD of Virginia. I yield.

Mr. CLARK. I regret that the Senator from Virginia was not in his place. I 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 Senate 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 Bill" voted on any more than this body does, would practically hold 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 be left over. When some time could be considered the matter expeditiously, though not under any sense of pressure, and come back to the Senate with an appropriate conference report.

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. 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 Senate from Pennsylvania have been heard.

Mr. CLARK. I thought I made it clear to the major leader perhaps the Senator from Delaware did not listen to me—that I hoped very much we could work out an arrangement to vote 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 there and who is not. That nose count is presently being held. 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.
directing poets. And, insofar as the opposition party, the Democrats, has a majority in the Senate, the candidacy of Strauss failed.

The thunder and lightning which the Senators cast at Strauss might seem strange at first reading, but quite normal under the U.S. Capitol, and the dark machinations of many highly placed figures by no means hinted at it. However, the United States at present a campaign is beginning for the presidential election which will take place next year, and evidently the leading Republican Party has 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 a political defeat 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.

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

A political scandal has broken in Washington in the first time in the last third of a century, the U.S. Senate has turned down the candidacy 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 candidacy in the Capital, Lewis Strauss aroused the hatred of all honorable Americans. The U.S. public has torn down the feathers from Strauss, and he has been called a vacationed beast, 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 one of the most successful of this body. A number of us have made available such information to the press in the sincere belief that this was information to which it was entitled. In addition, the Committee on Rules and Administration, has just reported an unanimously a resolution on this subject. I ask unanimous consent that the text of that Legislative Body changes and a letter from the legislative leaders on this subject be printed in the Recomp 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 request of the legislative leaders 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 in the executive branch. Early in the session I introduced, together with Senator Kefauver, a number of bills on this subject in order to meet the congressional responsibility to establish standards and enforcement provisions in the areas of conflicts of interest and ethics.

These include S. 658, S. 671, Senate Joint 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 standards of ethics for 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:

JOINT RESOLUTION AMENDING THE JOINT RULES OF THE SENATE AND ASSEMBLY, IN RELATION TO PRACTICES AND PROCEDURES IN CONNECTION WITH THE EMPLOYMENT OF PERSONNEL, 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 26, 28, and 27; and be further resolved (if the Senate concur), That the joint rules of the Senate and Assembly be amended by inserting therein 18 new rules, 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, and the title and position thereof, whether ever removed from public employment, and whether ever convicted of any crime. In addition, the identity of the person to which the employee has been recommended, compensation, and whether such employment is on an annual, permanent, 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 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, an employee who is an employee 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 described in section 13.
manner as employees in other branches of the State government.

Rule 15: Personnel Information appearing in official records including names and addresses of payees, the pay period involved and the compensation thereof shall be available for inspection by any person who seeks the same in good faith and with a concern for the public welfare.

Rule 16: Special or extra service vouchers for employees 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, by accredited members of the press, or others who seek the same in good faith and with a concern for the public welfare.

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 accordance with standards established by the division of standards and purchase for the same or similar products. Whenever practical, the procedures 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 committees shall be made by the president of the Senate, the temporary president of the Senate, and the Speaker of the Assembly, respectively, before certification.

Rule 21: The chairman of joint legislative committees shall file a statement that he has performed, the services assigned to him and the period for which such services were rendered, shall be filed with the secretary of the senate or the executive secretary of the assembly, and shall be available for inspection as hereinabove provided.

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 committees shall file with the temporary president of the senate and the speaker of the assembly annual state-ments concerning their activities, fiscal operations and personnel.

By order of the Senate: AINSLEY B. BUKOWSKI, Clerk.

By order of the senate: WILLIAM S. KING, Secretary.

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

MARCH 4, 1958.

HON. PAUL L. TALBOY,
Chairman of the Legislative Committee on Legislative Practices and Procedures,
Capitol, Albany, N.Y.

Dear Assemblyman Talboy: 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 present practices are deficient, 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 adoption of a personnel system which will assure the legislature the manpower and tools to carry on its function 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 is paid for comparable work in executive agencies and who are employed or where special services are rendered, shall be filed with the secretary of the senate or the executive secretary of the assembly, and shall be available for inspection as hereinabove provided.

Appointments of joint legislative committees shall be made by the president of the Senate, the temporary president of the Senate, and the Speaker of the Assembly, respectively, before certification.

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There is no surer way to deprive the government of the services of able men and women than by 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 is authorized to consider the designation of a special bipartisan sub-committee 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 established whereby the public 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 unethical practices. Especially, I think the same general rules should apply to us that apply to all other Federal employees. Whether it is the acceptance of gifts, or whether it is a question of competitive bidding, the same question of voting may be asked and I am convinced that when one owns a security of a certain company which might be engaged in a certain line of business, or whatever other 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 88 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, which is not exceeded by anything that I have heard or read. And I have read a great deal about him with him that a code of ethics would be most desirable. I think there is no Member of the Senate who can speak more efficiently 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. 7532) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates.

The PRESIDENT PRO Tempore. [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:

ECR. 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 4201 of such Code (relating to collection of tax on transportation of persons) is amended by adding at the end of subsection (a) the following new subsection (c): and inserting in lieu thereof "section 4231".

(3) Section 4221 of such Code (relating to State and local government exemption) is amended—

(A) by striking out "or 4231"; and

(B) by striking out "or facilities".

(4) Section 4233 of such Code (relating to exemption for United States and possessions)
The truth is that the one power Congress can still exercise effectively is the power to tax or 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 authority for the executive branch of the Government 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 legislates, 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 or removes a tax, it 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. And in 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 manuals dealing with taxes, but 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 injustice 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 annual programs 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 the public generally 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 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 manuals dealing with taxes, but 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 injustice and of inequities, problems of administration in the popular trust.

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

I should like to make a special note of that recommendation because it is in part 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 treatment. The burden of proof to the Government in cases charging corporations with improperly accumulating surpluses; sixth, relaxation in the tax law regarding employee benefits, such as stock purchase plans, employee pensions, and the like; seventh, a change in the treatment ofdeductions, 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 of the 50 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 property 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 estates and gifts; 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 drastically as any surtax scale revisions they might have contemplated. In his opinion, a 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 they might have contemplated.

In addition, he urged a 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 the recommendations of the minority would obtain 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 Boags, 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 desired for so-called charitable trusts.

Also, they objected to the provisions regarding accelerated depreciation; to the elimination of the premium payment test on the estate of the insured; to the excessive liberalization of laws regarding special employee benefits; to provisions regarding 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.

It may be noted further that the income tax recommendations--actually for businesses, but usually related to the estate and gift tax of the United States, the excises, the estate and gift tax 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 would be justified far the 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 code.

For example, under the guise of removing obsolete language and inequitable provisions from the tax laws, the bill reduced taxes, which were originally intended to be revenue producers--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 has much more liberalized the Internal Revenue Code than has the 1926 act, and in the fiscal year 1955, instead of a budget deficit of approximately $4,200 million, the deficit would have been approximately $3 billion; and in the fiscal year 1956, if those estimates are correct, there would have been a budget surplus of approximately $4 billion, and in the fiscal year 1957, if those estimates are correct, there would have been a budget surplus of approximately $3 billion, and in the fiscal year 1958, if those estimates are correct, there would have been a budget surplus of approximately $1 billion; and in the current fiscal year, if those estimates are correct, there will be a deficit of 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 Internal Revenue Code, 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 be given to those with incomes of less than $5,000, and I was inclined 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

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In the case of installment contracts, the deduction for child care and dependent care expenses was estimated to result in a tax loss of $85 million.

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

For 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 in the years 1954 and 1955.

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.

In the case of the liberalization of medical expense deductions, $75 million.

The deduction for medical and dental expenses was estimated to result in a tax loss of $125 million.

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 was realized, of $4.2 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, during the period from 1950 to 1954, it was sustaining very properly to the postwar period and to the new needs and new demands which were being placed on the American mariner.

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, for example, the savings which were going into the savings and loan accounts 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; 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. Of the time, by Mr. Robert Lubar, is entitled "A Plan for Tax Reform," which is described as an attempt to modernize an obsolete system to increase the rewards of 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 which we call 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 possible.

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 made on the government 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 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 method of collecting and the taxation 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.

The tax system must be equitable. I would extend the statement somewhat and say that basic to that premise is the question of justice, which, has traditionally, at least in the scholastic tradition, been described as commutative 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. Luhr 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 tax-paying 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 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 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. The assessment is made 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 justifications.

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." The writer of the articles points out that,

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 revenue is increased. The people are hit to pay more, and what one does pay becomes almost a matter of negotiated settlement. A condition is reached which is similar to the situation which obtained at the time the government 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 consider that condition to be admitted. The Senator did not admit 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 attentive 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 to the State, the responsibility which he must bear and accept as a member of society.

Third, we must have adequate and effective enforcement.

Mr. President, as Senators will recall, very recently when the Treasury Department 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 regard very seriously the proposition that the tax 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 member of Congress I point out that if, in 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 had not indicated that there was a problem; it was deeply concerned about the problem, but had not yet reached the point of being able to specify changes in the tax laws. As far as I know, there is no indication that the Congress should take steps 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 say that the amendments which the Senator from Minnesota made to the tax bills, Mr. President, had not been considered by the Senate?

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 fair 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. Luhr speaks in his paper is that the 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 decreases?

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 by the University of Michigan by a distinguished economist. 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 made to the tax bills from Wisconsin and the Senator from Wisconsin are offering today.

To take 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 mentioned—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. 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 begin to consider the other elements as we move along.

Mr. McCARTHY. I commend the Senator from Wisconsin for the observance of the principle of justice and equity, and particularly for having introduced into this discussion such terms as distributive justice, commutative justice, and legal justice. It seems to me that the whole parliamentary bodies of the world—and particularly in those 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 the normal course of economic change in the institutions of business and finance, or problems relating to the whole field of the general social welfare.

Mr. McCARTHY. Let us, therefore, 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. B. F. White, before another committee of the House of Representatives 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. Mr. White, in his testimony, said 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 be precluded from making 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 think 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 approach, 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 orderly and fair 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 financial institutions.

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. Mr. President, 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. Without objection, it is so ordered.

Mr. McCARTHY. Mr. President, the fourth benchmark for a sound tax program which I have in mind is that 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 taxes that were collected was very small. There was a time when the Federal 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 these taxes and the sources from which they are collected have an important bearing on the total economy of the country. When the handling of the Federal debt, totaling approximately $25 billion, has an important bearing upon monetary policy and monetary and fiscal credit activities throughout the Nation.

Mr. President, after establishing these 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 referred 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 $7 billion will be paid approximately $36 billion of Federal income taxes on wages, salaries, dividends, interest, and the capital gains which they either received or collected on that which this Senator from Wisconsin 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 are to do exactly that, and I think they move significantly in that direction.

Mr. McCARTHY. Mr. President, I would like to reserve my remarks until the conclusion of this debate. 

Mr. McCARTHY. I am sure that the Senator from Wisconsin will desire to have his remarks placed before the Committee.

The legislative clerk proceeded to call the roll.

Mr. McCARTHY. Mr. President, I ask unanimous consent that the order for consideration be adopted.

The PRESIDING OFFICER. The motion, without objection, is so ordered.
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 profit 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, as well as 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 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 complaing of the disposition to accept such inequities, and for one man to be willing to sacrifice more or to give more than the next. But amendments 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 extremely important. And it is important, 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 vital. It is necessary in order to take the burden of taxation off the people in the lowest income groups, and that it is significant for each one who has 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 by the elimination 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. But, 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 and 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 the personal income tax, the September magazine has published an article which deals with the entire question of the taxation of corporate profits. The recommendations which are made in this article 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 principles 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. Paxon]. 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.

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. President, I desire to propound a parliamentary inquiry.

Mr. LAUSCHE. Did one of those amendments provide for the elimination of the excise tax on passenger transportation?

Mr. LAUSCHE. Did one of those amendments provide for the elimination of the excise tax on passenger transportation?

Mr. LAUSCHE. 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 that the $250 million revenue loss at this time and even to a lesser extent at other times would go very far toward striking the amendment from the bill, or, if such an effort is not made in the Senate, it will be removed 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.

Mr. LAUSCHE. Mr. President, 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?

Mr. LAUSCHE. Although the committee 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, 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 to be achieved, but it is also a matter of having the Government can accomplish that result in a fair way to all taxpayers.

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.

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. In the tax system just as in the budget, 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 disagree about 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 had 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 a variety of competent 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 incomes 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 personal income tax is that portion of the income that extends 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 income of the person who is being taxed. This means that a man who lives in a house worth $3,000, $4,000, or $5,000 a year in a world where $3,000, $4,000, or $5,000 is likely to have to pay a property tax in the neighborhood of $150, $250, or perhaps $300, 10 percent of the $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, alas, but it is only 10 percent of the 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 as the property tax, and it would hit him three times as hard 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 personal property. 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, and it is even more true that it hits the person with a large income.

This is also true, of course, with respect to the various Federal sales taxes, to the varying state 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 oil, gas, and oil industries, where management has the power to pass on costs to the consumer, is passed on by the stockholder, but is passed on to the consumer. Even in highly competitive industries, to the extent that the corporation income tax is universal and the corporation income tax is passed on to the consumers.

It is indeed the Federal personal income tax, and this 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 to 80 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 individuals 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 who can use corporate income, 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 Administration were made on the basis of what we could get to make estimates on my proposal show that even if we reduced the 91 percent top income tax bracket, which is totally unrealistic and which simply gave away to the 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 law.

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 thought 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 was identical with the vote in the House at the time. The 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 conference 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. Incidentally, there is a great deal of opposition to these provisions. Perhaps I should refer to this as the modification of expense deductions in the income tax provisions. There are modifications proposed by the President in the budget and which amount to subtracting corporate executives and others from taking advantage of the income tax law and requiring the taxpayers to pay, in other words, the income due. 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 expenditure.
The Senator from Illinois has proposed an oil depletion measure, which is designed to plug what is probably the most notable and perhaps most American of revenue systems. This proposal would raise several hundred million dollars, and would provide more adequate revenues. It would raise, on the basis of the Treasury and Internal Revenue Service estimate, 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 included in the sources of total individual income, and that any money not included would be taxed. This would raise several hundred million dollars, and would provide more adequate revenues. It would raise, on the basis of the most conservative estimate, about $300 million, while the Library of Congress says it would raise from $400 million to $500 million.

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Reverting to the 1953 figure, which, as I say, is much more conservative:

1. The 3.000 percent of this amount was received by individuals not required to file returns and/or by individuals filing returns, there being about.5.7 billion of personal interest receipts which should have been reported, but were not, on taxable individual returns in 1953.

B. Revenue loss attributable to nonreporting of dividends and interest

Determination of the revenue loss involved in nonreporting of dividend was 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 4.1 billion dividend gap estimated above, for example, may imply a revenue loss as little as $350 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 occurring 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. These results can hardly be taken as definitive, but suggest that the average effective rate which would be applicable to dividends and interest gap at the lower amount could be significantly larger.

The reason for nonreporting of interest and dividends, a system of withholding in which the record of the payer would contribute materially to improving compliance with the law's requirements. From the point of view of the recipient, it is not a willing evader of the tax 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 been a relatively small percentage of the dividend and interest recipients who have failed to report their dividend or interest income. The principal reason for nonreporting may be ignorance of the tax law, dividend and interest withholding has the positive virtue of assisting him to be as honest as he would wish to be.

In addition to the dividend and interest gap, there is the interest gap with tax rates over time. A second reason is honest forgetfulness. I should probably be willing to say that most persons may well honestly forget to include dividends in reporting their Federal tax, 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, for example, $200 a year. Needless to say, it is the person who de-supposes 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.

Continuing to read:

It is a reasonable assumption, for example, that dividends which go to a group whose average dividend is $200 a year, would be a prohibitively large effective rate, tax on their dividends and interest.

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 tax payments as their income fluctuated. They have spent whatever they received—most of us do—only to find, when the tax 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 the income is received.

This is true of the quarterly payment plan which I believe would be more likely to be adhered to if it were made mandatory on the payment of Federal income taxes.

In conclusion:

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

A. The 1943 plan

The first of these was in connection with the introduction of withholding on wages and salaries in 1943. The plan then provided that 10 percent on dividends and interest payments in excess of the amount of such payments determined to be not taxable on the basis of withholding certificate. It was argued, would not in all cases be as high as 12, 15, and even 18 percent. The proposed withholding certificates to be filed with the payor by the dividend or interest recipient. The paying corporations would be required to file quarterly returns showing dividend and interest withheld 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 nonresident, rather than to the recipient directly, the paying company was, nevertheless, to be responsible with the recipient, if the recipient failed to report the income.

In rejecting this proposal, major emphasis was placed on the compliance problems which might arise if the payor was required to issue a withholding exemption certificate. It was pointed out that a relatively larger number of nonreporters would supply less objectionable amounts of income 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 such certificates.

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 dividend 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 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.

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 withholding on interest. It was observed that certain types of payor organizations were to be exempt from the withholding requirement. The withholding company was required to make each dividend recipient a withholding receipt although this might take the form of a notation on the dividend check or, in some cases, an amount of money 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 exempt organizations. Moreover, it was argued, the plan would involve a good deal of expensive paperwork by the payor with respect to very small amounts of dividend payments, a significant proportion of which would be non-taxable. Furthermore, it was maintained that proper administrative procedures, for which adequate provisions were made in then existing law, would greatly simplify and reduce the amount of such paperwork. Specifically, the Bureau of Internal Revenue was directed to make fuller use of the information returns, form 1099, which all payor corporations were required to file for all dividend payments in excess of $100. The administrative practice of collating the information returns many of which showed nominees or street addresses as payees, with individual tax returns, of determining any differences 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, the State Bank of Illinois, which pays a quarterly dividend payment. Some of these payments might well be below the minimum amount of which the payor is required to file an information return. Suppose, therefore, that 30 of the 40 payments involved in the holding 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 ascertaining them with the taxpayer’s income tax return, and of determining the amount of any tax deficiencies would not be insuperable. Indeed, as early as 1930, the experience of the Bureau of Internal Revenue in 1950, however, is not now.

C. The 1951 plan

In connection with the Revenue Act of 1950, there were proposals for 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 in which a 20-percent rate was proposed.

In this plan

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. 761, 82d Cong., 1st sess., 1951):

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 to the problem as presented in the House bill was warranted. Specifically, the committee reported that no information was available with respect to persons receiving dividends, interest, and royalties who do not file a tax return. According to the committee, such information, with respect to either (1) the number of individuals now required to file returns and who would file returns if the tax were made deductible, 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 would be particularly severe with respect to non-taxable 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 refund checks 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 involved in the implementation of the 20-percent withholding rate. 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 be required to notify dividend recipients why dividend payments have suddenly been reduced and what the amount of tax withheld was.

5. The plan would have required withholding on royalty payments. The committee was skeptical of the need for withholding in this area. In fact the virtually complete reporting was the practice.

6. The Senate Finance Committee asserted that the proposal of the House was more workable than the Senate plan, and the Senate committee recommended a 20-percent rate on dividends and interest and interest income.

I read further:

The payor company would withhold a flat 20 % from the gross amount of dividends and interest paid. The 1951 plan went far in the direction of eliminating compliance burdens associated with withholding tax. Under the 1951 plan withholding companies were to file the following return form to be used with the Internal Revenue Service: 20-204. The payor company 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). The interest payor would file a return to the Internal Revenue Service 20 percent of the gross dividend and interest payments made (subject to the exceptions provided in the 1951 plan). The payor company 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). The payor company 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).
The taxpayer would compute his tax on his total taxable income including the amounts 3 a dividend recipient would includ- e 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 could indicate exemptions from tax or nontaxability either because of inadequate gross income, or detections or exemptions in excess of income.

The dividend or interest recipient completing this form would send it to the pay- 1 ing corporation, which would then send it to the Internal Revenue Service. The payor corporation would remit these refund claim forms to the Treasury for the refunds of over withheld tax. The refund claim forms would then be used by the Internal Revenue Service as a check against individual tax re- turns. This would, of course, require elaboration of existing machinery for collating individual tax returns with individual tax returns. Since such collating would be re- quired only where the dividend or interest recipient would be entitled to a refund, it may be fairly assumed that the magnitude of the collating task would be substantially less than that presently involved in tracing income in connection with the withholding return.

Further simplification might be achieved by requiring the payor corporation to attach refund claim forms to all first quarterly or semiannual dividend or interest pay- ment and to determine whether tax should be withheld on subsequent payments within the year in the case of the dividend or interest recipient's response to the first pay- ment. 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. For most individuals of interest payments this proposal might not materially re- duce the load on the paying company in view of the accumulation of all interest pay- ments at the lower end of the income distri- bution. In the case of dividends, however, paying corporations could very well make refund claim forms available only with respect to divi- dends less than $1,000 which could be expected to reduce paying corporations' compliance bur- dens quite significantly below what they would be if the refund claim form were to be attached to all dividend checks.

The withholding proposal would involve additional accounting burdens for dividend and interest payors. The magnitude of these burdens would be less than would be the case under a withholding plan involving filing of exemption certificates by the interest or divi- dend recipient. They are somewhat, but pre- sumably only moderately, greater than those involved in the 1951 plan. The possibility of eliminating the overwithholding problem by use of this device while substantially im- proving revenue collection from dividend and interest sources, however, must surely be balanced against the 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 DIVIDEND 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, a detailed discussion of the proposal in connection with that plan should be re- viewed in connection with this proposal.

A. Coverage

As originally proposed in the 1951 plan was to apply to virtually all dividend and inter- est receipts of individuals. As passed by the House, however, the plan excluded with­ holding on dividends and interest payments on series E bonds even though these are the most important sources of interest for indi- viduals.

Presumably, the basis for these exclusions was the complaint received from bank rep­ resents. In the case of dividends, however, it was fairly assumed that the magnitude of the refund claim form would be absorbed by dividend and interest payors. The argument here was that such organiza­ tions receive substantial amounts of such dividend and interest payments, that the practical problems of withholding were too great or because the recipient was not generally sub­ ject to income tax. The specific exclusions were:

(a) Stock dividends or stock rights.
(b) Distributions to shareholders in con­ nect with liquidation or 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 stock of which is owned by one or more (a) governments; (b) political subdivisions thereof; (c) international organizations; or (d) wholly owned instrumentalities or agen­ cies of any of the foregoing if such instru­ mentalities or agencies are exempt from tax.
(e) Dividends and interest paid by a for­ eign corporation.

(f) Dividends and Interest paid by one corporation to another corporation if both corporations are members of the same affili­ ated group which is required to file a cou­ nsolidated return for the taxable year, or which did file a consolidated return for the pre­ ceding taxable year.
(g) Interest payments by State and local governments.
(h) Interest payments made by individu­ als.

(i) Interest paid on open accounts, notes, and mortgages.

(j) Interest on equipment trusts.
(k) Tax-free covenant bond interest as defined in section 103 (a) (3) (A) of the Internal Revenue 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 the pursuance of which the obliga­ tion 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 de­ posit and series E bond interest was dropped from the 1951 plan. Thus, the withholding would discourage these forms of savings. The argument, in effect assumes that the volume of such savings depends on the interest rate. It is important to note that interest and discounts rather than on the rate of such accru­ als. Whatever objections may be raised to withholding on bank deposits and series E bonds, the proposal to make payor corporation to withhold on interest paid at redemption would be provided by the Internal Revenue Service. The payor corporation, upon receipt of which the refund claim form were to be promptly at the end of each quarter.

C. Treatment of tax-exempt organizations

One of the more strenuous objections raised to withholding on dividends and inter­ est was that it necessarily would involve withholding on certain dividend recipients which were wholly tax-exempt by statute, such as religious, charitable, and edu­ cational organizations and pension trusts. The argument here was that the majority of such organiza­ tions receive substantial amounts of divi­ dends and interest income so that withhold­ ing would deprive them of the use of funds until refund could be claimed. The cost of the funds, therefore, would be the interest, it was further argued, might be substantial.

For these reasons, therefore, there would have to be made either for a quick refund of tax with­ held on interest and dividend payments to these organizations or for nonwithholding on such payments. The result was made, however, that dividend and interest payors would find it much too burdensome to with­ hold only on dividend and interest pay­ ments going to potentially taxable recipients and to refrain from withholding on those which were non taxable. To avoid both problems, the 1951 plan did not exempt the dividends and interest of tax-exempt organizations from withholding. The result was that the current amounts withheld from their dividends and interest against the amounts withheld from nonexempt sources. For example, if during a given quarter, a un­ iversity withheld $50,000 from its employees and the same amount from nonexempt organizations and $80,000 was withheld from its interest and dividends, it would pay only $20,000 at the end of the quarter to the Government. The excess interest received would be 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. That the exempt organizations continued to oppose dividend and interest withholding publicly, but they acknowledged privately that the proposal, if carried, would create no problems. It would, therefore, be well for the Senate to act quickly and resolve the question.

The quick refund provision outlined in the principal memorandum would, of course, substantially eliminate this complaint of tax-exempt organizations. It would not, of course, meet the objections of the individual income tax payors who admittedly would increase the burden of paperwork which they would carry. Whether or not they are really a small fraction of the population, today, when so many dividend and interest payors use machine methods for making up their dividend and interest distributions, is certainly questionable. The quick refund provision would in any case involve a substantially smaller burden for the Federal Government for reconciling discrepancies in social security tax payments with withholding 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.

Whatever modest increase in income tax on dividends and interest payments is involved, the integration dividend withholding and the dividend-received exclusion and credit is certainly feasible to adjust withholding on dividend income. Assuming integrated withholding, the individual dividend recipient would 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 credit provision. The simple 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 would be eliminated, it could and presumably would claim a refund from the paying corporation(s) at the time of the dividend receipt.

Mr. PROXMIRE. 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**

<table>
<thead>
<tr>
<th>Wages or salaries and amount withheld</th>
<th>$100</th>
<th>$500</th>
<th>$1,000</th>
<th>$10,000</th>
</tr>
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<tbody>
<tr>
<td>Tax liability</td>
<td>$860</td>
<td>$860</td>
<td>$860</td>
<td>$860</td>
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<tr>
<td>Additional tax or refund due</td>
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<tr>
<td>Total gross income</td>
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<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Less: Tax withheld</td>
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<td>$860</td>
<td>$860</td>
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<tr>
<td>Tax due</td>
<td>$140</td>
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</tr>
<tr>
<td>Less: Personal exemption and standard deduction</td>
<td>$950</td>
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<tr>
<td>Equals: Tax liability</td>
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<td>10. Equals: Tax liability</td>
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<td>12. Less: Dividend credit at 4 percent</td>
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<td>13. Equals: Tax liability</td>
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<tr>
<td>15. Equals: Refund due</td>
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</table>

Additional tax or refund due on selected amounts of dividends, assuming integrated withholding and dividend received credit

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<tr>
<th>Wages or salaries and amount withheld</th>
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Additional tax or refund due on selected amounts of dividends, assuming integrated withholding and dividend received credit

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Additional tax or refund due on selected amounts of dividends, assuming integrated withholding and dividend received credit

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. PROXMIIE. Mr. President, I think every American certainly recognizes that any measure which provides for quick refunds to individuals of the taxes 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, work quite simply, would work with only 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 real 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, very small 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, be a very, very modest burden. Nevertheless, some trouble seems to have been created by the withholding on relatively small 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 economists of the State of Illinois [Mr.Douglas]. This memorandum bears very directly on the proposal I have made.

Mr. President, I am about through, but I want to take 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 all I can to organize my amendment, which differs in some respects from what the Senator from Illinois offered last year, on which this memorandum is based.

The plan 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. This recipient 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 indicated in step 3.

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, $90, would be 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 form of a dividend or interest payment. 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 to individuals or agencies of any government, or interest paid to dividends on which such interest is paid.

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 reaction 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.
The PRESIDING OFFICER. Mr. President, I ask unanimous consent that the roll be called.

The clerk will call the roll.

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 theadjournment be dispensed with.

Mr. President, I ask unanimous consent that the order for the adjournment be dispensed with.

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

Mr. CLARK. Mr. President, something over 3 months ago, on March 5, 1969, I addressed the Senate on the subject of the program for the 86th Congress. But I did have the temerity to suggest a program which I thought 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 info social, political, and economic justice at home. I suggested that 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 missile submarines; that we have not pushed our anti-submarine defense to its needed potential; that we have an inadequate airfield 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 our 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 unnecessarily exposed, I believe the recent report of the Democratic Advisory Council, dealing with our national defense, 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.

In the absence of 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 of the United States published a 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 points out that it will, therefore, be heavily discounted. This is a pity. For, disregarding a few unnecessary and extraneous partisan phrases, the pamphlet deserves a very 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 civil in its temper, and lucidly written.

It ought not to be brushed aside as a partisan document. The 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 today. 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 McNair, is likely to bring it about that in the next 3 years the U.S.S.R. will have an intercontinental ballistic missile. This would be a surplus 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 go for it or is likely to, but it is right to say 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
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. Ford, is 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 entire military potential of the Communist world, becomes itself highly vulnerable.

Our monopoly was broken by the Soviet development of its own atomic and hydrogen bombs a number of years ago. This could have serious political and economic consequences, if the missile gap is allowed to grow.

Our forces. The ultimate protector of the power. We are far from being defenseless in the possession of the missile gap and...
Health, Education, and Welfare appropriation bill which went well above the President's budget ceiling.

Mr. President, I think 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 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 appropriations bills, as those that have been submitted to us by the President, has been substantially decreased.

There is enormous waste in the Defense Department and the Congr-ess 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 utilized to provide for the country a sensible farm program which would do the farmer much more good than is done by the present discredited farm program. However, I am afraid 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 no time or 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 the Senate can and should abandon the 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.

So we come to the question of how we are to raise that money.

Mr. JOHNSON of Texas. 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 the other programs.

We come to the question of how we are to raise that money.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The call of the Senate is now in order.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the call of the Senate be suspended.

The PRESIDING OFFICER. Without objection, it is so ordered.
an amount not to exceed a total of $1,000 for any taxable year, to the small businessman or to the individual in business for himself or in a partnership, to spend up to $1,000 of the ordinary and necessary business expenses, has been the subject of so much tugging and hauling by taxpayer and lawyer alike, and by 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 breadth of which this “swindle sheet” business goes.

I cite the case of Sanitary Farms Dairy, Inc., 25 Tax Court, 463, decided in 1965. 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 rhinoceroses home and sent them to their sugar growers, who 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. The donors were able to write off their costs and, of course, the dairy was reimbursed. They did not see how this was not a tax deductible expense.

I was asked a question before the Committee on Finance by my good friend [Mr. Frear]. I assume he was speaking in a lighter vein. He asked me whether this couple from 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. 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 any expense 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. Mr. Frear, 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 and necessary 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 Tijuana, 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 $2 billion a year results from the present “swindle sheet” practice. 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 taxpayer and lawyer alike, and by 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.

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not particularly desirous of detaining the Senate much longer. I did refer in May, 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 Luken and Rudolph Kohlem, 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 article from Colorado 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 of you, 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 the budget is balanced with any equity, with any decency, with any justice, if we leave wide open the loopholes through which rich taxpayers can drive without thought of what they are doing to the 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 reading, 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 the ravaging of 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 Senator: 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. I would want 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. So 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 for, it will get 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 is to be paid by those who are able to pay it. 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 these 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. I am 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 hang on to.

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 are among the closest 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 am able to commend the able senior Senator from Pennsylvania for a very excellent, thought-provoking discussion of an issue which, as he has indicated what one Senator from Michigan 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 engaging in chinoeroses? 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 special 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 very much like to 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 the Senator holds in his 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 cover the functions for which such expenses will not be permitted to be deduced?

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.
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 that it lie on the desk. I shall call it to the Senate during the consideration of the tax bill.

The PRESIDING OFFICER. The amendment will be received and will lie on the desk. It is now argued 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, the House of Representatives, for the first time in our history, has decided that instead of being so specific, it would be wiser to pool the various items of new taxes, as well as the old taxes, that will result in the coming of the day when everyone will buy his own lunch.

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—often times innocent, times 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 8 percent on salaries. Only recently the Congress authorized the expenditure of additional funds to bring in the Internal Revenue Service.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Ohio yield to my friend, the Senator from Pennsylvania.

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 amendment be referred to the committee, 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].)

Mr. JOHNSON of Texas. Mr. President, I 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 there was a difference 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 Senate proceeded.

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.

The increase shall be $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 additional "swindle sheets," called expenses, or, in other words, over $1 billion each year.

Inventions held in convenient locations should be carefully scrutinized and more strictly interpreted. Deductions for expenses—the so-called expenses, or, in other words, "swindle sheets," returned 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 places where historically theaters are just a few of the permissible tax deductions today.

One expert believes that expense accounts being deducted 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 1936 oil and gas producers have been permitted by law to carry forward for 27% or 41% 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, we worked to eliminate a loophole in the tax laws which allowed oil and gas producers to deduct from the value of their output at the rate of 27% annually, as a depletion allowance, and others who have spoken, to obtain more sorely needed revenue for our Government, was 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, were pioneers in an effort at that time to reduce the oil and gas depletion allowance, which would be levied according to ability to pay. It is so ordered.

Mr. President, there are just a few of the more flagrant weak spots in our income tax code that should be ended, mentioned, such as the favorable treatment of income earned abroad and the capital gains formula.

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. Without the fighting of 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, the House Committee on Ways and Means has no doubt that there is a total emasculation of the House by the Senate in the event the majority leader is 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 entertained.

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 the floor to another Senator—two hours by each 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 the said bill is transmitted to the Senate, until the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

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 entered into this evening and is voted upon 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 being read?

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, ordaining and establishing the facts of the case, is as follows:

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.

"(3) 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(b)(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 '34(a)'.

"(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, the word '34' and the symbol '.'

"(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' and in the second sentence of the provision, the word '34' and the symbol '.'

"(9) Section 1275(b) of such code is amended by striking out 'section 34', '34(a)', and inserting in lieu thereof 'section 34(a) (relating to credit for dividends received by individuals)'.

"(10) Section 6014(a) of such code is amended by striking out 'section 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. McCarrery). I have no way of knowing whether 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 has been 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. McCarrery).

By the request 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 Brook amendment, the Morocco 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 debate on the amendments by the chairman (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 is necessary to 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 do not know how long the time will be. I do not know how much time will be allowed in opposition. 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, that we should pass it today. It is my hope that we will consider it 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 forced 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.

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Mr. DOUGLAS. The reservation I have is that Senator Johnson, who I do not think knew this bill was to come up, will be upset.

Mr. JOHNSON of Texas. I stated in the ten days prior to yesterday that this bill should 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 forced 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?

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Mr. CLARK. Could my friend from Virginia tell us what the great urgency is? Why not wait until Monday?
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.

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 permanent debt ceiling and the bill as it came from the Ways and Means Committee. What is that difference?

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 $328 billion for fiscal year 1960, with the $10 billion temporary increase expiring June 30, 1959. This means that the House Ways and Means Committee reported 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. BYRD of Virginia. In understanding that the Senator from Texas wants to set aside the pending business in order to take a vote on the bill as reported by the Senate Finance Committee and the bill as it came from the Ways and Means Committee, whether or not there is a difference between the permanent debt ceiling.

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Mr. CARROLL. On a temporary basis?

Mr. BYRD of Virginia. Yes.
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. As early as 1817, 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. MCARDLE. Mr. President, will the Senator yield to me first?

Mr. DINKSEN. Mr. President, I yield 1 minute to the Senator from Arizona.

Mr. GOLDWATER. Mr. President, because there will not be a yeas and nay vote, I do not want the Record to indicate I would vote for the bill if a yeas and nay vote were taken. I have voted against increasing the debt ceiling every time it has been brought up. I have the opportunity to 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 yeas-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. DINKSEN. 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. DINKSEN. 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. 7532) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise taxes.

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 I move that a joint resolution to 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 Tax Rate Extension Act of 1959. The tax credit is not adopted, the Federal revenues will be increased by $235 million in the year beginning January 1960. The amount of revenue involved in the $50 deduction 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 I move that a joint resolution to 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 Tax Rate Extension Act of 1959. The tax credit is not adopted, the Federal revenues will be increased by $235 million in the year beginning January 1960. The amount of revenue involved in the $50 deduction was granted in the act of 1954 and is included in section 116 of the code.

Mr. CARROLL. Mr. President, 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 dividend 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 it was argued that this would be done by a provision in the tax law.

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 be able to stimulate that 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 necessity which I shall emphasize. 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 tax? Mr. McCarthy, otherwise be paid?

Mr. McCarthy. The Senator is correct. Let me trace the manner in which this credit is applied. After the tax liabilities of the taxpayer are determined, a person having an income from dividends is permitted to subtract from that amount an equal to 4 percent of his dividends, with a top limit of $10,000. 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. If 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 of $990, he would have $8,910. Subtracting from that his personal exemption of $2,400, he is left with a taxable income of...
In the bracket from $200,000 to $500,000, 93 percent claimed dividend credit, and 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. Mr. 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 from Minnesota 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. Do you mean, Mr. Douglas?

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. DOUGLAS. The Senator from Illinois, as I understand, has indicated there are two million and a half returns filed in the year in which the dividend credit was 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 the 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 that 3.7 million returns were filed. Of those, 23.9 percent claimed dividend credit. The tax saved was $108 in that category.

Now we come to 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 $1,460.

In the bracket from $200,000 to $500,000 class, 9.9 percent of the taxpayers claimed dividend credit, and the saving came to something over $4,000, on the average.

In the bracket from $500,000 to $1 million, the saving amounted to $9,902.

As one moves up in the income brackets, the graduated escape from relief on the average.

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

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 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 go to the category of $100,000. What was the percentage there?

Mr. CARROLL. Of those who filed returns in that bracket, 90 percent claimed credit.

Mr. CARROLL. As to each, what was the total amount saved?

Mr. MCCARTHY. It was $1,460.

Mr. CARROLL. Let us go to the next category.
occasion, either in order to decide that
their vote on this occasion should not be
consistent with that one; or else to pre-
pare their defenses, in case they de-
cide that the vote they will cast at this
time will be consistent with that vote, and
on 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
given to the holders of stocks, on the
taxation of dividends, whereas one whose income comes from his salary does not receive such a credit.
Is this not the case?
Mr. McCARTHY. That is correct.
Mr. LAUSCHE. The Senator from Minnesota yield to me?
Mr. McCARTHY. Yes. Yes.
Mr. LAUSCHE. That is especially true when it is realized that there has been a flight of investors from the pur-
chase of the bonds of the Federal Gov-
ernment. Instead of purchasing Gov-
ernment bonds, stocks are purchased. Is that not so?
Mr. McCARTHY. Yes, I think that is a logical conclusion; and it is sup-
ported by the evidence.
Mr. LAUSCHE. Is it not also true that the Treasury Department is com-
plaining 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 Minnesota yield to me?
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
with the movement of capital investment,
and the stock market situation are also
concerned about this development.
Mr. LAUSCHE. Am I not also cor-
rect in understanding that under the present tax code, there is no incen-
tive 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.
Mr. LAUSCHE. It is correct.
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 based on the fact that the cor-
porate tax was increased, because I could earn more by purchas-
ing stocks. But my conscience said to me that, as a patriotic citizen of this
country, I should not do that.
Mr. McCARTHY. I yield.
Mr. LAUSCHE. I believe the
Senator from Minnesota is correct.
Mr. McCARTHY. I yield.
Mr. LAUSCHE. In the course of the debate in 1954, the Senator from Ohio
said he did not believe that there was
any incentive to invest in Government bonds, because the interest on the bonds of the
Government is quite correct.
Mr. McCARTHY. I yield.
Mr. LAUSCHE. It is quite correct.
Mr. DOUGLAS. I yield.
Mr. LAUSCHE. 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. That is quite correct.
Mr. DOUGLAS. But now they say that that is no longer a tax favor, but an in-
terest rate on bonds. Is that correct?
Mr. McCARTHY. That is the argu-
ment they make.
Mr. DOUGLAS. In other words, hav-
ing placed us, if you will, on the same
footing that they are in, they can use that tax 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 I think that is an entirely proper conclusion.
Mr. LAUSCHE. Is it not also true that the Treasury Department is com-
plaining because of the fact that many
investors have decided that it is more
profitable to purchase stocks than to
purchase Government bonds?
Mr. McCARTHY. I yield.
Mr. LAUSCHE. In any case, in the arguments on this
recommemded provision in the 1954 de-
bate, there were two principal points
made in support of it. One was that it
would reduce double taxation.
Mr. LAUSCHE. It is correct.
Mr. DOUGLAS. I yield.
Mr. LAUSCHE. I may point out to the Senate that at the
time or this provision was under
consideration for inclusion in the tax
code, the proposal to extend the cor-
porate profits tax was before the Congress.
If Congress had been concerned about
double taxation, the simple thing to have
done would have been to have taxed the cor-

porate 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 obvi-
ous 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 per-
sonal income tax."
I am sure Senators realize that the
corporate tax is generally a regressive
tax. It can be passed back to the con-
sumer and to the purchaser of the prod-
uct. But this particular tax provision
would not have had that effect.
Mr. McCARTHY. I yield myself an additional 10 minutes and I now yield to the Senator from Ohio [Mr. Lanscak].

Mr. LAUSCHKE. 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 was adopted. The Senate and the public has been built up over the years 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 then. Awhile ago the Senate voted to increase the debt limit from $282 billion to $285 billion, permanently, and temporarily to $295 billion.

We now have before us a bill to extend excise tax and corporate taxes. Here is a significant thing. I see present the distinguished Senator from Kentucky [Mr. Morron], 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 am going to quote from something one of my friend from Delaware voted for in 1954. If we approach this problem on its merits, 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 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 involve in this or the product on which an excise tax or a sales tax is applied because the individual who spends his money on the service or on the product on which an excise tax or sales tax is applied has already paid income tax on that income. It was a clear case of double taxation which did not seem to bother anybody.

In the second place, instead of working to get corporate profits, the work was done on individual income. Let me quote the distinguished Senator from Tennessee [Mr. Gouix] who participated in the debate on this specific point of double taxation. He said: 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 services or on the product on which an excise tax or sales tax is applied has already paid income tax on that income.

It was a clear case of double taxation which did not seem to bother anybody. The junior Senator from Tennessee has never taken too seriously the argument regarding double taxation. The burden of corporate entity go with the privilege of incorporation. If a business acquires the privilege of incorporation, it must thereby accept 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 it, but who earns it, but who 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. McCARTHY. 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 prices at 1956 levels for the 1959 and immediate subsequent crop years.

While I supported passage of the bill through the Congress and have since submitted a bill to 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 acreage.

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 any breach of the new parity formula. S. 1901 did breach that formula. To attain the same parity, the bill introduces 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 to producer specifications 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 stop-gap 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 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. The bill is the result of the 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 foreign buyer 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 has already 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 1959, but would not forestall any increase which might be possible under the quota 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 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-growing areas, care to add their names as cosponsors.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. BENNETT. Mr. President, I ask the majority leader to yield me 10 minutes on the amendment.

The PRESIDING OFFICER. The Senator from Texas, who has the floor.

Mr. JOHNSON. 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, but if any 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 small relief which was given to stockholders 2 years ago.

Mr. President, I have my own impressions as to why people are investing in stocks and why the number of stockholders has decreased in recent 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 in bonds but in that corporation's ability to keep paying back the stockholder the interest and the amount of his investment. The thing to do is to take the money into stocks rather than into bonds demonstrates their belief that they expect inflation in the years to come.

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, will have to pay interest to the bondholder, 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 comprised to a business. Both equity 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 argument 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 it if the time is 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 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?"

I have been in a situation—and I am sure many other businessmen have been in the same situation—where I was facing 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 in vite the Senator to consider 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 tax them twice.

The Senator from Utah feels that in our growing economy, in which we desire to encourage investment of the savings 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 stockholders, or obvious as it is in many other cases.

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 Colorado.

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 add a few further considerations in opposition to the amendment.

First, I ask unanimous consent to place in the Record 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 6. This results in a higher tax burden on the corporation 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?"

We have had explained in the last half an hour the argument that the corporation is an 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 of which the individual is owner is of no concern, it is felt.

The burden that the equity capital has to bear is the individual's 5 percent of concern, it is felt.

There being no objection, the excerpt is 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 in the United States, unlike many foreign nations, wages and interest do not constitute a deduction to the corporation.

This induces a double tax burden on distributed corporate earnings rather than on other forms of income. In addition, it has contributed to the impairment of investment incentives. Corporations would be invested in stocks 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 borrow freely 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. 34) completely relieves the corporation of double taxation of dividend income. A credit to the corporation for dividends paid would be satisfactory 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 results in the revenue resulting from the tax on 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 dividend income, is a restriction not found in the Canadian system. On the other hand, the dividend exclusion provided is more liberal than the Canadian system, which excludes receiving small amounts of dividend income.

The credit allowed is 20 percent of the dividends-received credit for part of the corporate tax paid on the dividends in excess of the amount exempt. The credit is a dividend received credit limited 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 and 1955 and 10 percent in subsequent years. This limitation restricts the credit to the amount of dividend income that actually enters to the tax base. The use of 2 percent and 7 percent for 1954 and 1955 removes any possibility of prorating income in the 2 years.

The August 1 date for the credit was selected in order to minimize the likelihood that the credit will reduce dividend payments in the year in which the credit is introduced or increased.

The relief afforded by the dividend-received credit is limited to situations in which double taxation actually occurs. Accordingly, the dividend-received credit is limited with respect to dividends paid by foreign corporations or tax-exempt domestic corporations. Moreover, it does not apply to dividends of exempt funds. In the case of distributions which have been allowed as a deduction (in effect treated as interest) to mortgage bankers for building and loan association. In addition, the dividend-received credit is not available to estate or trust alien to the individual, and 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 below.

The proposed dividend exclusion and credit confers partial relief for double taxation in administrative and financial aspects. Moreover, the method of adjustment adopted affords greater relief for the low-income individual than for those above the middle-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 allowance would reduce existing tax liabilities on dividend income in the $4,000 first bracket (subject to a 20-percent rate) by 80 percent, $6,000 bracket (subject to a 30-percent rate) by 70 percent, and on dividend income in the $12,000 bracket (subject to a 50-percent rate) by 50 percent. At very high income levels, the percentage reduction in the dividend income will be about 11 percent.

The combination of a dividend exclusion and a credit for dividends received 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 results in the revenue resulting from the tax on dividends received by tax-exempt organizations.
prior to the middle 1950's, dividends were exempted from the normal individual income taxes which was generally the last bracket rate. This gave recognition to the fact that the income from which they were paid had already been taxed at the corporate level. The Federal Government, 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 the dividend income. This would reduce the tax liability of the recipient, but it is because of the impossibility of doing so by sound fiscal measures.

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 increases.

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 50 percent rate, by 50 percent. 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 25 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 reliance 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, I must disagree with his analogy between Government bonds and equity investment. The two things are entirely different. The point is not that the 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.

Government bonds, one is buying an obligation which is absolutely undeniable, 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 the Government handled the bond fairs 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 comparatively attractive with other high-grade investments of a credit nature.

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.

An estimated 1,235,000 shareholders are members of labor unions; 1,276,000 out of 6,547,000 women shareholders 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 were brought over on a foreign vessel. Among adult shareholders, women outnumber the men in four of the five age groups. The exception is the group of age 65 years of age and older. In all other groups, women outnumber the men.

The cities of Berkeley, Calif., Hartford, Conn.—I am proud to say—Pasadena, Rochester, St. Petersburg, and Wilmington, N.C., 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. DOUGLAS. Has not the Senator from Connecticut unwittingly perpetrated 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 relatively small proportion of persons in the upper income brackets. In fact, the Federal Reserve Bulletin for August of 1957, page 894, shows that 80 percent of the shares were owned by 10 percent of the shareholders, representing the largest single group of stockholders.

Mr. BENNETT. Mr. President, did 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 dividends which their husbands accumilated?

Mr. BUSH. That is undoubtedly true. Trustees buy stock for the estates of people who are deceased, and undoubtedly hundreds of thousands of 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 trusts—have ordered a total of $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. That is why the Senate is on a roll to the fact that the income from which they were paid had already been taxed at the corporate level. The Federal Government, however, to give a credit equal to the entire 20-percent first bracket rate.

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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 comparatively 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 at the time—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 the amendment.

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 an increase from 8,525,000 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 the rich may be paying less tax, 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. Eighty percent of the shareowners are outstripping the men, as an experienced economist, also a shareowner, knows that one case may not be a sound sample.

Women outnumber the men by a substantially larger margin than they did in 1956. Eighty percent of the shareowners are outstripping the men, as an experienced economist, also a shareowner, knows that one case may not be a sound sample.

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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 was put in the Revenue Act of 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 must be able to compete with American industry 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, and so 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 97 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. DIREKSEN. Mr. President, I yield 5 minutes to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I am looking at the House vote on page 12436. Among those answering the rollcall vote on the floor of the Senate, 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 (Mr. DIREKSEN) voted cast the vote 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 amendment was proposed, he would have considered the vote, 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. DIREKSEN. 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. Further, 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 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 have said, but I would be glad to offer some that would offer the amendment was amended in the Senate.

Mr. McCARTHY. I find that on page 12434, on the motion to recommit, the then Representative from Minnesota voted against the amendment. Anybody who understands the proceedings 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. D RIKSEN. Mr. President, I yield 5 minutes to the Senator from Kentucky.

Mr. COOPER. Mr. President, the President of the United States vetoed today S. 901, a bill which had been introduced in the Senate by the distinguished Junior Senator from North Carolina, and opposed by myself. The bill passed the Senate by a voice vote. Later, it passed the House of Representatives by an overwhelming record vote.

Mr. President, I raise no question about the sincerity of the President's 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 Senator Morton's bill, by a vote of 98 percent supports for tobacco growers, which has not cost the Government 1 percent in price support operations of the tobacco program during its life—should be changed.

Mr. Benson, voiced his opposition to it was being debated in the House and Senate. He assumed to the Secretary of Agriculture that the present tobacco program—which suits and benefits the tobacco growers of the Nation, which at times has been a successful program,—is a successful program.

In every respect, the President's veto message, declares that it should be changed. I support the Secretary's views. I say that we will fight to maintain our absolutely—

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 the Senator from Kentucky.

Mr. D RIKSEN. Mr. President, I yield 2 additional minutes to the Senator from Kentucky.

Mr. COOPER. Mr. President, of course, I am aware of my colleague's insistence in this problem. But, I must say that the bill he has introduced is, with one change, the bill and the statement which the American Farm Bureau Federation and Secretary Benson have supported. 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 co-sponsor, the Senator from North Carolina [Mr. Jordan], with representatives of the tobacco States in the Congress, particularly the Kentucky delegation—all of whom know by experience 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. They are the arguments the President—these 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 it 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 $414 million, the first year.

If it is not true, as the Senator from Kentucky states, that the President from Kentucky, that because the President has seen fit to veto the bill, the potential cost to the taxpayers 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.

Mr. TALMADGE. 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. COOPER. 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 incomes.

Many face heavy installment debt, especially under the higher interest rates which this administration has made it a policy to encourage.

Despite 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
Mr. President, I ask how much time I have remaining?

Mr. McCarthy. And how much time is remaining 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 like to reiterate in conclusion that the whole discussion has been on the amendment, and 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 it 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 my 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 position made in support of granting this special privilege was that we needed to encourage investment in the stock market. As I said earlier, I question the wisdom of that 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 and 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 to use these 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.

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.

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 incomes 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 remove it as 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 opposing this amendment in 1954.

It is my opinion that the cause of equity and justice will be served by the adoption of my amendment 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, 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. Cranston], the Senator from Florida [Mr. Smathers] are absent on official business.

The Senator from Idaho [Mr. Craig], the Senator from Florida [Mr. Hollander], 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. Clinton], 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. Craig], the Senator from Florida [Mr. Hollander], 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 Michigan [Mr. McNamara], the Senator from Oregon [Mr. Morse], the Senator from Montana [Mr. Cranston], 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. Allen], the Senator from Indiana [Mr. Capehart], 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. Proctor] 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. Dworkin] is absent on official business.

The Senator from Wisconsin [Mr. Wiley] is detained on official business.

On this vote, the Senator from Indiana [Mr. Cranston] 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."

Mr. Johnson of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.
The result was announced—yeas 47, nays 31, as follows:

YEAS—47

Mr. Allott—Hart
Mr. Anderson—Markey
Mr. Bartlett—Magnuson
Mr. Bartus—Manuel
Mr. Byrd, Ala.—Manchester
Mr. Cannon—Maninger
Mr. Cleary—Johnson, Tex.
Mr. Clark—Johnson, S.D.
Mr. Dodd—Jordan
Mrs. Douglas—Keating
Mr. Douglas—Jackson
Mr. Eastland—Jackson
Mr. Eastover—Johnson
Mr. Farnsworth—Langer
Mr. Fulbright—Lausche
Mr. Gore—Lauchert
Mr. Hatfield—Larson

NAYS—31

Mr. Beall—Lincoln
Mr. Bennett—Lichtenstein
Mr. Bridges—Lindsay
Mr. Bush—Littlejohn
Mr. Butler—Long
Mr. Byrd, Va.—Longstaff
Mr. Case, N.Y.—Luebke
Mr. Cooper—McClanian
Mr. Cooper, Or.—McMillan
Mr. Curtis—Morton
Mr. Dirksen—Mundt

NOT VOTING—29

Mr. Allen—Green, Ohio
Mr. Capehart—Gruening
Mr. Carson—Holland
Mr. Case, S.D.—Humphrey
Mr. Chafee—Greeley
Mr. Church—Humphrey
Mr. Dowdshawk—More

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 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. MCDOUGAL], the Senator from Idaho [Mr. MCCORMICK], 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 LIAISON OFFICER. 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 in 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 are in the trade or business of the taxpayer and the expenses are paid or incurred to further such trade or business), Provided, That the amount of the expenses paid or incurred shall be limited to the amount which would have been deductible under section (a), if such expenses were allowed.

"(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 explain why it is necessary to have his amendment put on the record at this time, when he has already explained his views? Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. CLARK. I yield.

Mr. JOHNSON of Texas. Would the Senator explain why it is necessary to have his amendment put on the record at this time, when he has already explained his views? Mr. CLARK. Mr. President, I ask unanimous consent that the vote on this amendment be taken at 6 o'clock on Wednesday next. If this amendment is adopted, such deductions would be the same as the deductions claimed for expense account purposes, and would therefore be allowed.

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

Mr. CLARK. I yield.

Mr. JOHNSON of Texas. Would the Senator explain why it is necessary to have his amendment put on the record at this time, when he has already explained his views? Mr. CLARK. 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, so that Members will be encouraged to remain in the Chamber.

Mr. CLARK. I would.

Mr. JOHNSON of Texas. Mr. President, 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 of expenditures 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, Canada, or Mexico. If such expenses were allowed, 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 asking Uncle Sam to be an involuntary partner.

The amendment would prohibit deductions for expenses in excess of $1,000 incurred for entertainment at night clubs, theaters, 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 expenses 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 to go there—having business expenses 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 from its taxes 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 it a major 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 gifts, but 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 these 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 bring 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 allowances 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 deduction if I did not feel that small business was entitled to some break.

Mr. LAUSCHE. The amendment provides that if the corporation does not be a permissible business expense in business, it shall have the same rate of deduc­tions as a corporation which does not be a permissible business expense.

Mr. CLARK. 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 Senate 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 proportionate scale which would apply 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 amendment.

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, I pointed out that the Senator had given us a ballpoint pen with his 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 has been of no opportunity to study the language. The language is used 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 shall 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 it should 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 provide for possibilities which are not properly conceivable, and it is not possible to understand. I do not believe it would be possible to administer such a provision without a great amount of record. And the amendment is so 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 a permissible business expense.

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. CURTIS. 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 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 that, but I will say that 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 clergy and other fine institutions, and get the deduction for them, I think that provision should be corrected.

Mr. CLARK. Charitable gifts are permitted under another section of the code, and would not be affected by the amendment.

Mr. BENNETT. I point out to the Senator from Florida that there can be contributions 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, only the different stance needed to make the amendment loosely drawn. I believe the intent is good. Abuses have occurred. But we should not prohibit a proper business deduction.

The PRESIDING OFFICER. The Senator from Pennsylvania has 6 minutes remaining; the Senator from Virginia has 3 1/2 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 clear and full record of 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 that to an amendment out of support of this principle 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 business 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 look at tax laws in 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 abroad. If businesses are trying to promote trade all over the world, if our foreign business competitors are allowed to entertain prospective customers, and do other things which American businesses 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 for the Senate to trust the conference.

Mr. CLARK. I trust the conference implicitly. I should simply like to show the other body to what extent the Senate is in favor of the 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 sponsor of the amendment offered an amendment to conference; and then the sponsor of the amendment demanded a yea-and-nay vote.

Mr. CARROLL. 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 present Commissioner of Internal Revenue 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 difficulties.

The present Commissioner of Internal Revenue, Mr. Dana Latham, of California, has already moved deeply into this field. 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 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 2 1/2 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. Mr. President, the Internal Revenue Service 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 say that 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 18 to 9. I think that since then the Senator from Pennsylvania has changed the amendment.

Mr. CLARK. That is correct.

Mr. BYRD of Virginia. If it 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 insert 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 to include a statement explaining my vote supporting the amendment.
The Senate from Pennsylvania [Mr. CLARK] is right in seeking to restrict tax exemptions that can be claimed for entertain­ment and the like. While I am sure that the majority of our busi­ness people are circumspect in claiming such exemptions there is undoubtedly some padding of claims for exemptions under the heads 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 with Senate and House con­ferences where the amendment can be studied, drafted properly, and adjusted so that it will protect the legitimate expenditures of tax­payers.

I am sure it would fail to adopt it, and there will be no opportunity to enact into law the principle which the amendment expresses.

Mr. CLARK. Mr. President, I yield back the remainder of my time and call for further discussion.

Mr. JOHNSON of Texas. Mr. Presi­dent, is there any time left?

The PRESIDING OFFICER. Time remains on the floor.

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 exempt the amendment from the vote. Since that is not accepted, I shall not vote for what I know and what I believe to be a poor amendment. I think it is poorly drafted. I do not think that 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 New Mexico [Mr. CHAVEZ] to strike out line 19, which I think 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. McCARTHY] 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. Mcge]-

The Senator from Montana [Mr. MUSKIE] and the Senator from Kansas [Mr. CARLSW] are absent on official business, as members of the U.S. delegation to conferences in Canada.

The Senator from New Mexico [Mr. CHAVEZ] and the Senator from Vermont [Mr. Aiken], the Senator from Indiana [Mr. CAPEHART], and the Senator from Vermont [Mr. FOWT] 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. FOWT] are absent on official busi­ness, as members of the U.S. delegation to conferences in Canada.

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 Alaska would vote "yea," and the Senator from New York would vote "nay."

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 Alaska would vote "nay," and the Senator from New York would vote "nay."

The Senator from Oregon [Mr. MOORE] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from Oregon would vote "nay," and the Senator from New York would vote "yea."

The result was announced—yea 34, nays 44, as follows:

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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.
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.

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, so far as I am concerned, the fiscal dangers of the war are not out of the picture.

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

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 because 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 tax reduction. The only way 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 facts that have 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 spending by the United States Government.

I think those who travel can afford to pay the toll more than can many other segments of our population. I shall support this motion, and if it is carried, I shall support the motion to strike that section from the bill.

Mr. DIRRKEN. Mr. President, yield me 5 minutes.

Mr. DIRRKEN. 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 yielded 5 minutes to the Senator from Illinois.

Mr. DIRRKEN. I should like to ask the Senator from Delaware whether the transportation item was thoroughly considered by the 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. DIRRKEN. Was there a formal vote?

Mr. WILLIAMS of Delaware. There was. If I recall correctly, the amendment carried by a margin of one.
upon in this body. To me it is utter fiscal irresponsibility to lift these $250 million of taxes which are not directed 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 in the business of $75 a month or less must pay taxes.

The lifting of the transportation tax would remove from the taxing power of the government, after three years, people who 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 commuter 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 amendment 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, will the Senator yield me 2 minutes?

The PRESIDING OFFICER. Does the Senator from Ohio yield?

Mr. LAUSCHE. Mr. President, I will reserve 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 hereby 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. Harr) says that he would feel obliged to offer an amendment to take the excise tax off automobiles if the tax on railroads 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 I would if I bought it 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 those people who 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 others. 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. YARBOURGH. 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 every person pays an excise tax 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 who have businesses, which frequently causes them to travel great distances. The same principle applies to businessmen who have to travel short distances.

Mr. LAUSCHE. The motion to reconsider is not something we should do in order to repeal a tax which is equal for everyone.

Mr. MANSFIELD. The abolition of the tax was voted by a majority of this body last year, was it not?

Mr. SMATHERS. Mr. President, 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. That is a sales tax.

Mr. SMATHERS. Mr. President, I yield myself such time as I may desire.

Mr. LAUSCHE. I would like to pick up what the able Senator from Ohio said today. 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 record bears that out. 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 ultimate 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 need above everything 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 highways, if we do not have the 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 man 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.

One 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 cannot 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 conflict. I want to emphasize 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.

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 in debt that there is grave doubt whether members of the armed services can 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 conflict. I want to emphasize that.

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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 enunciated by the Senator from Texas, and opposed the removal of the passenger excise tax.

Mr. HART. Mr. President, will the Senate proceed to the motion of the Senator from Illinois?

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 Texas and the automobile manufacturer are obviously in competition.

Lastly, we are told that people are buying transportation tickets outside the country to avoid the passenger excise tax. 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 absent on official business as members of the U.S. delegation on parliamentary conferences in Canada.

The Senator from Idaho [Mr. Chrusch], the Senator from Rhode Island [Mr. Green], the Senator from Florida [Mr. Hollman], 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 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. Craig], the Senator from Rhode Island [Mr. Green], the Senator from Minnesota [Mr. Humphrey], 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 "aye."

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. Aiken], the Senator from Indiana [Mr. Capers], 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. Proctor] 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. Dworkshak] is absent on official business.

The Senator from Wisconsin [Mr. Wiley] is absent on official business.

If present and voting, the Senator from Indiana [Mr. Capers] and the Senator from Vermont [Mr. Proctor] would each vote "aye."

Mr. LAUSCHE. Does the yeas-and-nay vote which was ordered on my motion apply to the motion made by the Senator from Florida?

The PRESIDING OFFICER. The Senator will state it.

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. Mr. President, I yield back the remainder of my time.

I move that the motion of the Senator from Florida [Mr. Lausche] be laid on the table.

Mr. LAUSCHE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

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 then move 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 motion 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. Chrusch], the Senator from Rhode Island [Mr. Green], the Senator from Florida [Mr. Hollman], 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 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. Craig], the Senator from Rhode Island [Mr. Green], the Senator from Minnesota [Mr. Humphrey], 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 "aye."

The result was announced—yeas 52, nays 26, as follows:

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Mr. SMATHERS' motion to lay on the table the motion 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 agreed was agreed to this morning.

Mr. LORE. 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. KERR] 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.

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.

Mr. PROXMIRE. Mr. President, I move that the amendment 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 1964 (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. Tax collected at source

1. "Sec. 7902. Tax collected at source on dividends.

2. "Sec. 7903. Exemptions from withholding.


(a) Requirement of Withholding.

Every person making payment after December 31, 1959, of interest on obligations of such corporation, shall deduct and withhold therefrom a tax equal to 18 percent of the amount thereof. If the withholding agent is unable to determine the amount of interest payable, such tax shall be deducted and withheld at the time payment thereof would be made.

(b) Dividends Defined.

For purposes of this chapter, the term "dividend" means the amount required to be deducted and withheld under this section, section 39.

(c) Withholding Where Amount of Dividend Is Unknown.

If the withholding agent is unable to determine the amount of a dividend which is a dividend, the tax required to be deducted and withheld shall be based on the entire amount of the distribution.

(d) Indemnification of Withholding Agents.

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. Income Tax Collected at Source on Dividends.

(a) Requirement of Withholding.

Every person making payment of dividends, after December 31, 1959, on any distribution by a corporation, shall deduct and withhold therefrom a tax equal to 18 percent of the amount thereof.

(b) Dividends Defined.

For purposes of this chapter, the term "dividend" means the amount required to be deducted and withheld under this section, see section 39.

"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 of the Treasury 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 any tax or other similar equal to such total.

(b) Adjustment of Tax—If more or less than the correct amount of tax due for any period is paid with respect to such period, proper adjustments with respect to the tax shall be made by the Secretary of the Treasury, either at such time or at any other time 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 of Credit 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 under this chapter shall be immediately refunded or credited to such person as an overpayment of the tax imposed by such chapter, but only if claim therefor is filed (or, in the case of a partner, 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 15 of the calendar year succeeding the close of the calendar quarter after 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 may prescribe 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 has no taxable income for his taxable year of which such calendar quarter is a part, the amount required to be deducted and withheld 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 16 of the calendar year succeeding the calendar year in which such claim is made, the date on which such refund is filed or before April 16 of the calendar year succeeding the calendar year in which such claim is made, the date on which such refund is filed, but only if interest is paid with respect to any such refund for the time during which such interest accrued after the calendar quarter in which such claim for refund was filed, or if such refund was filed after the calendar quarter in which such claim for refund was filed, or if such refund is made by the date on which such refund is filed.

"(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 562(a)) or a personal holding company (as defined in section 562), the amount required to be deducted and withheld as tax under this chapter within a taxable year shall be allowed, under regulations prescribed by the Secretary of the Treasury, as a credit against (but not in excess of) the tax for which such refund is claimed, whichever date is due to reasonable cause and not to willful neglect, the addition to the tax or taxes required to be deducted and withheld under chapter 81, such person shall deduct and withhold under chapter 81.

"(a) PARTNERSHIPS, TRUSTS, AND ESTATES.—If the recipient of the interest or dividend is a partnership, trust, or estate, 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 pro-rata share of the credit provided by subsection (a) only the excess of-

"(b) Cross reference.—For refund under chapter 81, see section 7906.

"(d) CREDIT IN CASE OF ORGANIZATIONS EXEMPT FROM INCOME TAX.—(i) The credit which is exempt from tax shall be allowed only—

"(b) to any individual, with respect to interest and dividends received during any calendar quarter, if the recipient has made a certification under section 7906.

"(d) 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 for the taxable year in which the interest or dividend is received.

"(a) GENERAL RULE.—In the case of any partnership, trust, or political subdivision, agency, or instrumentality thereof which is exempt from the tax imposed by chapter 21, or other than interest and dividends on which a tax is required to be deducted and withheld under chapter 81, such person shall deduct and withhold under chapter 81.

"(2) INTEREST AND DIVIDENDS.—(A) The amount required to be deducted and withheld under chapter 81, over the amount shown on the return of such person as its liability (after the adjustments, if any, provided for in sections 6225 and 6226(a)(1)) for such quarter in respect of the taxes imposed by chapter 21, is amende in accordance with such regulations, at the time of the filing of the return with respect to such tax for the last calendar quarter of the taxable year in which the such portion of the credit as is properly allocable to him on the basis of the income allocable to him under subsection (b) (and followed by) for topic purposes, if such 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 (b) shall be reduced by the amount of credit allowed such company under section 7907.

"(d) In case of an individual, with respect to interest and dividends received during any calendar quarter, if the recipient has made a certification under section 7906(b).

"(2) AMENDMENTS TO TABLE OF SECTIONS.—The table of sections for such part IV is amended by adding at the end thereof the following new section:

"(3) AMENDMENTS TO TABLE OF SECTIONS.—The table of sections for chapter 25 is amended by adding at the end thereof the following new section:

"(c) Special Credit in Case of Organizations Exempt from Income Tax.—(1) the gross income for the taxable year in which the tax is required to be deducted and withheld under chapter 81.

"(2) In the case of a regulated investment company or a personal holding company, the credit provided by subsection (b) shall be reduced by the amount of credit allowed such company under section 7907.

"(Sec. 39. Credit for tax withheld on dividends.

"(1) Special Credit for Tax-Exempt Organizations Exempt from Income Tax.—(A) to any recipient which is exempt from the tax imposed by section 39, credit is allowed for the tax on dividends paid during such tax year, if the recipient 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 for the taxable year in which the interest or dividend is received.

"(a) General rule.—In the case of a regulated investment company or a personal holding company, the credit provided by subsection (a) shall not be allowed to such recipient,
end thereof the following: 'except that if the amount of dividends paid to any share­
holder during a calendar year is less than $500 and not 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 share­
holders.'

"(9) ENSURING WITHHOLDING.—Subsection (b) of section 6401 of such Code (relating to
credit for tax withheld) is amended by striking out 'or 1461' and inserting in lieu thereof chapter 24, 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
section 31.

"(7) SPECIAL PERIOD OF LIMITATIONS FOR SMALL REFUNDS ON TAX WITHHELD AT SOURCE.— Section 6511(d) of such Code (relating to extension of time for filing such returns) is amended by adding at the end thereof the following new para­
graph:

"'(4) SPECIAL RULES RELATING TO TAX ON INTEREST AND DIVIDENDS WITHHELD AT SOURCE.—In the case of an individual filing a short tax-year return or an overpayment attributable to the credit allowed under section 39 for tax required to be deducted and withheld at the source under chapter 24, and the amount of the credit provided in section 39 (relating to credit for tax withheld on dividends) is amended by adding at the end thereof the following new para­
graph:

"'(8) PRESUMPTIONS AS TO DATE OF PAY­
MENT.—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 the 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 on the date deserved for filing such return under section 6121 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 ‘1461’ and inserting in lieu thereof ‘1461, or 7061.’

"'(10) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to taxable years beginning after December 31, 1959.

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 amend­
ment be limited to 30 minutes, with 15 minutes to each side.

The PRESIDING OFFICER. Is there objection? Without objection—

Mr. GOLDBERG. Mr. President, res­
erving the right to object, let me ask what amendment this is.

Mr. PROXMIRE. It is the amend­
ment 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 amend­
ment 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 16 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

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. 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. PROXMIRE. Because on the banks there is a very different kind of 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 that 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?

Mr. PROXMIRE. I yield.

Mr. WILLIAMS of Delaware. How would the amendment work in connection with charitable institutions? 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 coupons that are paid, which are, in effect, cashable. The coupon is a part of the total dividend. All I am taking is a 10 percent standard deduction. That would be very simple.

Mr. WILLIAMS of Delaware. After the bonds are printed, under existing law the coupons are marked "Pay on demand," 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 if the mechanics are out-lished, 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 whatsoever—this would be very simple to pay 18 percent of that amount to the Treasury.

Mr. WILLIAMS of Delaware. The problem is not that simple. There will be a million dollars’ worth of bonds outstanding, and they will be sold by many persons. But 90 percent of such bonds are not registered. When the owner of the bonds present the coupons, they are being cashed. As much 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 out-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, and I want to use each of them very carefully. I am 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, $1.12 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 one point that would be recovered, but it is all I included in my estimates. There is no question that when this kind of withholding is employed, people who do not now pay taxes on their dividends would be 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. Now 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 from the interest and 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 interest 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. It was modified and improved and reintroduced in 1950. It was further improved and refined 1951. I think almost all, if not all, of the objections were eliminated.

In the first 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 of refunds in the case of wages and 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 in a more frequent basis, at least every 6 or 8 weeks, at the very most.

In the second place—and this is something I have hinted at, but have not explained, and it is contained in the amendment—with reference to non-taxpaying 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 interest and dividends which they receive, just as if they pay it on their income tax. There is a counterbalancing amount, so they do not lose a nickel.

The second point is when we add to the elimination of the objections, such as the inconvenience to the payer, which had been a significant objection, the advantages 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 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 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 who drafted the bill, I understood it was exempt. I shall be glad to point out where that is done. If the Senator will withdraw 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 was $1.2 billion. I have no allowance whatsoever for the amount which would have 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 initially. 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? I do not pay the original borrower of the money to 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 in registered form.

The PRESIDING OFFICER. Mr. Harr. 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. YARBOROUGH. 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 read that it be printed in the Record but that its reading be dispensed with.

The PRESIDING OFFICER. Is there objection to the reading of the Senator from Maine in the Chair hearing none, it is ordered.

The amendment proposed by Mr. Douglas is as follows:

"At the proper place in the bill insert the following:"

'Sec. 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 (c)';

'(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) is, and

'(3) by redesignating subsection (d) as (e), and by inserting after subsection (c) the following new subsection:

'(d) OIL AND GAS WELLS.

'14 PERCENT DEPLETION RATE. In the case of oil and gas wells, the percentage referred to in subsection (a) is as follows:

'(A) 27 1/2 PERCENT. If, for the taxable year, the taxpayer's gross income from the oil and gas wells is less than $1,000,000, the percentage applicable under subsection (d) is 27 1/2 percent.

'(B) 26 PERCENT. If, for the taxable year, the taxpayer's gross income from the oil and gas wells is $1,000,000 or more, the percentage applicable under subsection (d) is 26 percent.'

The PRESIDING OFFICER. 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).

14 PERCENT DEPLETION RATE. In the case of oil and gas wells, the percentage referred to in subsection (a) is as follows:

'(A) 15 PERCENT. If, for the taxable year, the taxpayer's gross income from the oil and gas wells is less than $1,000,000, the percentage applicable under subsection (d) is 15 percent.

'(B) 20 PERCENT. If, for the taxable year, the taxpayer's gross income from the oil and gas wells is $1,000,000 or more, the percentage applicable under subsection (d) is 20 percent.'

The PRESIDING OFFICER. 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 APPLICABLE UNDER REGULATIONS.—This section and the preceding regulations prescribed by the Secretary or his delegate.

The PRESIDING OFFICER. The questions are as to the agreement 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 I am interrupted, 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 WHO PAY 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 public back of me in the press gallery 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 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 goes 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 happy if 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 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 false pretenses, 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 hope that it may survive, with our hope 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 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 scandal. This 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 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 we believe they would have produced, by the form in which they went before the Finance Committee they would have produced $2,380 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 eliminated 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 have remained.
This package could have gone through—as I predicted it will some day go through—several byproducts would have followed. For one thing, I think it would have made possible a reduction in excise taxes, which would have put a little more money back into the pocketbook of the country and the people in 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 been based upon the true cost of the oil and gas industry. The government could have charged off approximately $600 million, 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 a 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 their just taxes, would have had 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, we also wanted a 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, it is savings of $2 billion which 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 that we would have 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. But the excuse for raising the interest rate would be removed.

So this package was a consistent, well-thought-out program. Only one point of it was not included. 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 words 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 I strongly urge that the Senate, if I 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 some industries, 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.

The depletion allowance (I will call it, for the sake of argument, the 'allowance') is cutting it down in the case of a giant, a company that 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.

It is a pity that 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 Illinois has been attacking it, 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. Carrol], and the junior Senator from Ohio [Mr. Young], who are co-sponsors 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.

These are, first, operating costs, which are, of course, proper deductions.

Second, intangible drilling and development costs, which my amendment does not change. It is already estimated that between 75 and 30 percent of all costs can be written off in a 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 30 percent of all costs can be written off in 1 year in this manner. We have, therefore, already accorded to this industry virtually the tax advantage, in a depreciable 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 on an individual well basis 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 36 percent on taxable income—would allow some tax reduction in the oil and gas industry. For example, a million dollars a year or less, that was the oil companies can charge off their allowance-perhaps the greatest abuse in some industries, 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.
such as operations in Venezuela, Canada, and Mexico.

Fifth. Royalty payments abroad, particularly in the Near East, may be deductible in 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 27.5% 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 first few years. The oil or gas must move through the intangible drilling and development cost deduction.

Some wells have been flowing for 30 or 40 years, and the 27.5% percent depletion allowance has been allowed every year. This practice can continue. The Senator from Wisconsin has just proposed 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, expenses 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 over-development, 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, the Treasury would have received an additional $500 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 27.5% percent throughout, but in the beginning, corporation tax liability amounted to only 14 percent of corporate income, so that 27.5% 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 27.5% 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 allowance was enacted in 1926. If 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 the oil and gas industry has with the elapse of time grown tremendously.

It is almost four times as great in value as it was then.

Mr. PROXMIRE. That is correct.

Mr. DOUGLAS. 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 allowance was enacted in 1926. If oil companies would be enjoying twice the advantage they enjoyed at the time the original law was placed on the books.

**Facts About Depletion**

Now let me turn to some of the facts about depletion allowances, in general, and about 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 1958. 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 $2,062 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 it.

I ask unanimous consent that these tables may be printed in the Record at this point in my remarks.
### Table 1.—Selected corporate business deductions, all corporations, 1946–56

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of officers</td>
<td>$5,143.1</td>
<td>$6,026.4</td>
<td>$6,733.3</td>
<td>$6,743.0</td>
<td>$7,638.8</td>
<td>$8,122.0</td>
<td>$8,430.0</td>
<td>$8,776.7</td>
<td>$9,113.2</td>
<td>$10,480.7</td>
<td>$11,661.5</td>
</tr>
<tr>
<td>Interest paid</td>
<td>2,301.6</td>
<td>2,301.6</td>
<td>2,738.7</td>
<td>3,064.5</td>
<td>3,219.1</td>
<td>3,700.5</td>
<td>4,018.2</td>
<td>4,588.9</td>
<td>6,270.6</td>
<td>7,658.4</td>
<td>8,280.1</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>6,465.8</td>
<td>6,540.3</td>
<td>6,240.1</td>
<td>6,305.6</td>
<td>6,230.1</td>
<td>11,230.8</td>
<td>13,070.6</td>
<td>11,896.8</td>
<td>12,344.0</td>
<td>12,264.0</td>
<td>15,082.5</td>
</tr>
<tr>
<td>Contributions or gifts</td>
<td>213.9</td>
<td>241.2</td>
<td>220.9</td>
<td>232.4</td>
<td>323.4</td>
<td>345.0</td>
<td>395.8</td>
<td>416.8</td>
<td>441.6</td>
<td>448.0</td>
<td>150.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>761.3</td>
<td>761.3</td>
<td>713.7</td>
<td>847.3</td>
<td>847.3</td>
<td>847.3</td>
<td>847.3</td>
<td>847.3</td>
<td>847.3</td>
<td>2,053.5</td>
<td>2,053.5</td>
</tr>
<tr>
<td>Amortization</td>
<td>4,107.3</td>
<td>5,232.1</td>
<td>6,286.8</td>
<td>7,190.5</td>
<td>7,566.1</td>
<td>8,280.0</td>
<td>9,401.0</td>
<td>10,206.0</td>
<td>11,705.5</td>
<td>16,004.6</td>
<td>16,004.6</td>
</tr>
<tr>
<td>Advertising</td>
<td>2,486.8</td>
<td>3,652.2</td>
<td>3,960.0</td>
<td>3,772.7</td>
<td>4,067.0</td>
<td>4,592.9</td>
<td>5,020.8</td>
<td>5,730.3</td>
<td>6,090.7</td>
<td>7,071.6</td>
<td>7,071.6</td>
</tr>
<tr>
<td>Amounts contributed under pension plans, etc.</td>
<td>834.6</td>
<td>1,038.3</td>
<td>1,163.3</td>
<td>1,216.1</td>
<td>1,460.9</td>
<td>2,369.2</td>
<td>2,551.8</td>
<td>2,926.3</td>
<td>3,269.0</td>
<td>3,615.4</td>
<td>3,615.4</td>
</tr>
<tr>
<td>Other</td>
<td>5,892.1</td>
<td>7,383.4</td>
<td>8,662.8</td>
<td>9,056.7</td>
<td>9,473.1</td>
<td>10,493.0</td>
<td>11,493.0</td>
<td>11,443.0</td>
<td>11,983.5</td>
<td>12,922.5</td>
<td>12,922.5</td>
</tr>
<tr>
<td><strong>Total selected deductions</strong></td>
<td>77,698.6</td>
<td>93,661.1</td>
<td>97,644.1</td>
<td>100,495.8</td>
<td>104,824.2</td>
<td>109,509.1</td>
<td>116,804.4</td>
<td>123,273.3</td>
<td>128,519.2</td>
<td>147,927.1</td>
<td>161,781.1</td>
</tr>
</tbody>
</table>

1. Deductions claimed under sec. 22(p) of the Internal Revenue Code for amounts contributed by employees under pension, annuity, stock-bonus, or profit-sharing plans, or other deferred compensation plans.
2. Contributions under employee welfare plans.

### Table 2.—Corporate depletion deductions by total assets classes, 1940–55

<table>
<thead>
<tr>
<th>Assets classes</th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
<th>1945</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50,000.</td>
<td>3.3</td>
<td>3.9</td>
<td>2.9</td>
<td>3.7</td>
<td>4.0</td>
<td>3.5</td>
<td>3.1</td>
<td>4.7</td>
<td>4.2</td>
<td>5.7</td>
</tr>
<tr>
<td>$50,000 and under $100,000.</td>
<td>3.7</td>
<td>4.6</td>
<td>5.5</td>
<td>4.9</td>
<td>4.4</td>
<td>3.7</td>
<td>3.2</td>
<td>3.7</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>$100,000 and under $250,000.</td>
<td>16.8</td>
<td>14.7</td>
<td>16.1</td>
<td>11.9</td>
<td>12.6</td>
<td>12.1</td>
<td>13.3</td>
<td>13.5</td>
<td>13.7</td>
<td>21.6</td>
</tr>
<tr>
<td>$250,000 and under $500,000.</td>
<td>12.8</td>
<td>18.9</td>
<td>21.4</td>
<td>16.1</td>
<td>17.1</td>
<td>21.4</td>
<td>21.2</td>
<td>21.2</td>
<td>22.6</td>
<td>27.5</td>
</tr>
<tr>
<td>$500,000 and under $1,000,000.</td>
<td>23.2</td>
<td>21.8</td>
<td>21.4</td>
<td>21.4</td>
<td>21.8</td>
<td>21.4</td>
<td>21.4</td>
<td>21.4</td>
<td>21.4</td>
<td>21.4</td>
</tr>
<tr>
<td>$1,000,000 and under $5,000,000.</td>
<td>71.8</td>
<td>108.3</td>
<td>136.1</td>
<td>101.0</td>
<td>120.8</td>
<td>120.8</td>
<td>150.3</td>
<td>150.3</td>
<td>174.7</td>
<td>191.5</td>
</tr>
<tr>
<td>$5,000,000 and under $10,000,000.</td>
<td>38.8</td>
<td>34.3</td>
<td>72.3</td>
<td>37.6</td>
<td>68.4</td>
<td>68.4</td>
<td>87.7</td>
<td>87.7</td>
<td>87.7</td>
<td>87.7</td>
</tr>
<tr>
<td>$10,000,000 and under $25,000,000.</td>
<td>130.7</td>
<td>135.6</td>
<td>243.2</td>
<td>213.1</td>
<td>278.9</td>
<td>318.9</td>
<td>297.7</td>
<td>297.7</td>
<td>297.7</td>
<td>297.7</td>
</tr>
<tr>
<td>$25,000,000 and over.</td>
<td>38.6</td>
<td>88.7</td>
<td>20.7</td>
<td>92.8</td>
<td>150.2</td>
<td>150.2</td>
<td>150.2</td>
<td>150.2</td>
<td>150.2</td>
<td>150.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>777.7</td>
<td>1,201.4</td>
<td>1,669.9</td>
<td>1,436.5</td>
<td>1,461.8</td>
<td>2,056.5</td>
<td>2,112.9</td>
<td>2,284.3</td>
<td>2,242.4</td>
<td>2,720.6</td>
</tr>
</tbody>
</table>

### Table 3.—Corporate depletion deductions and net income by total assets classes, 1952–55

<table>
<thead>
<tr>
<th>Assets classes</th>
<th>1952</th>
<th>1953</th>
<th>1954</th>
<th>1955</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50,000,</td>
<td>$354.9</td>
<td>$33.7</td>
<td>$0.7</td>
<td>$11.1</td>
</tr>
<tr>
<td>$50,000 and under</td>
<td>$370.6</td>
<td>$3.3</td>
<td>$0.3</td>
<td>$0.4</td>
</tr>
<tr>
<td>$100,000 and under</td>
<td>$677.6</td>
<td>$4.7</td>
<td>$0.6</td>
<td>$0.8</td>
</tr>
<tr>
<td>$250,000 and under</td>
<td>$1,544.9</td>
<td>$11.2</td>
<td>$0.8</td>
<td>$0.9</td>
</tr>
<tr>
<td>$500,000 and under</td>
<td>$1,281.3</td>
<td>$13.3</td>
<td>$1.0</td>
<td>$1.3</td>
</tr>
<tr>
<td>$1,000,000 and under</td>
<td>$1,460.2</td>
<td>$13.1</td>
<td>$1.0</td>
<td>$1.3</td>
</tr>
<tr>
<td>$2,000,000 and under</td>
<td>$1,232.2</td>
<td>$15.0</td>
<td>$1.6</td>
<td>$2.0</td>
</tr>
<tr>
<td>$5,000,000 and under</td>
<td>$1,472.2</td>
<td>$26.8</td>
<td>$2.6</td>
<td>$3.0</td>
</tr>
<tr>
<td>$10,000,000 and under</td>
<td>$2,433.9</td>
<td>$120.1</td>
<td>$2.8</td>
<td>$3.6</td>
</tr>
<tr>
<td>$25,000,000 and under</td>
<td>$3,471.4</td>
<td>$139.3</td>
<td>$3.2</td>
<td>$5.6</td>
</tr>
<tr>
<td>$50,000,000 and under</td>
<td>$2,886.5</td>
<td>$112.4</td>
<td>$4.4</td>
<td>$7.2</td>
</tr>
<tr>
<td>$100,000,000 and under</td>
<td>$4,354.5</td>
<td>$240.9</td>
<td>$6.0</td>
<td>$10.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$49,336.3</td>
<td>$1,980.9</td>
<td>$4.9</td>
<td>$8.5</td>
</tr>
</tbody>
</table>

1. All returns with balance sheets.

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 very impressive 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 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 $2,002 million in depletion allowances to the large companies—the largest in the Union, the ones which held the great company, and which made use of a tax device which is not connected with the ordinary depletion allowance given to domestic producers. Actually the company, although an ordinary corporation, as far as to show exactly which ones are taking those great takers of depletion, so as to let us know which ones are producing the overseas oil. Actually, he will find that much of their profit is coming from the overseas source.

Mr. DOUGLAS. Mr. President, let me say that the tables are taken from the "Statistics of Income," published by the Bureau of the Census, and the names are purposely not identified 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, I wish I could. 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.

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 Ohio 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 big boys privileges which do 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 that they would be allowed, as 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, Senator Douglas recorded the income statements and the tax statements of 26 oil and gas producing companies, which I designated, not by name, but by letter; and the Senator from Ohio has now collated the figures in companies listed on page 81 of the hearings.

Mr. LAUSCHE. And I am picking out at random, on page 61, the company designated by the letter "P." On that page, we find that in 1956 the net income of that company, before taxes, was $6 million plus.

Mr. DOUGLAS. That is correct. Mr. LAUSCHE. That 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 $18,800,000, 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 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 $9 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.

Mr. LAUSCHE. 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 $16,511,000, 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. That is correct.

Mr. LAUSCHE. Will the Senator from Ohio examine the figures for 1957?

Mr. DOUGLAS. 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. LAUSCHE. That is correct; it paid none at all.

Mr. LAUSCHE. Will the Senator from Ohio examine the figures for 1958?

Mr. DOUGLAS. 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 tax payment; 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 a tax of about 50 percent of its net income before income taxes, I understand.

Mr. DOUGLAS. That is correct.
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. That is correct. 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 $657 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 $657 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 law. Furthermore, there must be some charges that do not appear in the Senator's table. I think it would be enlightening, to the Senator from Illinois particularly, if we were to do a chart that shows whether 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 to 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 on 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, sponsored by the Cleveland 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 is sponsored by the Cleveland Bar Association.

"Even though we are in a recession and a period of great gloom for the investor, there is the possibility of substantial wealth," said Judge.

For a business executive in the 90 percent bracket, $10,000 could be worth as much as $27,000 in successful business ventures 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, 100 percent of your income to come to a 90 percent bracket taxpayer is about 65 percent.

"It may be a difference of a dollar. The reason is that exploration for oil and gas has become so attractive in the last decade. It is the only 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 of Gas Accountants.

Other speakers were John O. Tomb of the Chicago office of McKinsey & Co., management consultants; James F. Turner, Oklahoma 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. Eells, 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, the investor strikes oil, he becomes rich. The Government pays 90 percent of the cost and the investor pays 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 do so with 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net income before income taxes</th>
<th>Income taxes</th>
<th>Net income after income taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
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<td>$53,649,200</td>
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### Company B

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<td>1955</td>
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<tr>
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<td>$3,070,000</td>
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### Company C

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<td>$35,208,979</td>
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### Company E

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### Company F

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<td>1956</td>
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### Company H

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<td>898,900</td>
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### Company I

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<td>1,752,000</td>
<td>$6,126,283</td>
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<td>1956</td>
<td>$7,900,000</td>
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### Company J

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</thead>
<tbody>
<tr>
<td>1955</td>
<td>$2,987,000</td>
<td>1,992,234</td>
<td>$994,766</td>
</tr>
<tr>
<td>1956</td>
<td>$3,024,000</td>
<td>2,000,000</td>
<td>$1,024,000</td>
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### Company K

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<td>$414,133</td>
<td>22,952</td>
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<td>1956</td>
<td>$420,133</td>
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### Note

Records available only for last 9 years.
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<th>Year</th>
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<th>Company N</th>
<th>Company P</th>
<th>Company Q</th>
<th>Company S-Continued</th>
<th>Company T</th>
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<tbody>
<tr>
<td></td>
<td>Net Income before Income before</td>
<td>Net Income before Income before</td>
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<tr>
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<td>$9,000,000</td>
<td>$1,200,000</td>
<td>$15,000,000</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$900,000</td>
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<td>$1,400,000</td>
<td>$18,000,000</td>
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<td>$4,000,000</td>
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</tr>
<tr>
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<td>$19,000,000</td>
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<td>$8,000,000</td>
<td>$3,000,000</td>
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<td>$21,000,000</td>
<td>$2,400,000</td>
<td>$33,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>1957</td>
<td>$23,000,000</td>
<td>$2,600,000</td>
<td>$36,000,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
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<tr>
<td>1958</td>
<td>$25,000,000</td>
<td>$2,800,000</td>
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<td>$11,000,000</td>
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<td>1959</td>
<td>$27,000,000</td>
<td>$3,000,000</td>
<td>$42,000,000</td>
<td>$12,000,000</td>
<td>$12,000,000</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

Note: Company Q felt not liable for Federal income tax in this period.

Footnotes at end of table.

1 Not available.
2 Figures for 1945-48 restated as result of revision of estimates.
3 Figures not available for 1948 and 1949.
4 Figures for 1945-48 restated as result of revision of estimates.
5 Figures not available for 1948 and 1949.
6 Figures not available for 1948 and 1949.
7 Figures not available for 1948 and 1949.
8 Figures not available for 1948 and 1949.
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43 Figures not available for 1948 and 1949.
44 Figures not available for 1948 and 1949.
45 Figures not available for 1948 and 1949.
46 Figures not available for 1948 and 1949.
47 Figures not available for 1948 and 1949.
48 Figures not available for 1948 and 1949.
49 Figures not available for 1948 and 1949.
50 Figures not available for 1948 and 1949.
Mr. DOUGLAS. Mr. President, could I 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 happens 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 that was simply transferred over. The royalty was withdrawn, and it was called a tax.

Mr. DOUGLAS. Yes.

Mr. LONG. This country lost $300 million a year income involved in these tax devices. 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 $42 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 could only touch that point, perhaps 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 these companies. 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 cause us 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 taking 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 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 all 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, but it seems to me that none 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 a few years. 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 form of the 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 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 make one out of the others are against him. Eight 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 setting up a 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 drill. If it is a little fellow drilling his first well.

Mr. DOUGLAS. My good friend knows that the large companies will have a field as 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 the same opportunity to make a 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 signed with 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, when one gets toward the edge of production, there is a limit to the usefulness of the laws of mathematics and on the basis of literature.

Mr. LONG. Mr. President, a good friend of mine, 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 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 the one gets towards 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, where one, by definition, 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 the one enters into building a generating plant, if he has a good engineer the plant will generate electric power. 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 that 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. 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 allowances.

Mr. LONG. I understand.

Mr. DOUGLAS. Or the royalty payments.

Mr. LONG. I understand.

Mr. DOUGLAS. Of the capital gains.

Mr. LONG. I am not going at it. 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. 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 that the fair way to tax the industry would be to compare it to other industries. Or has the Senator referred to a study on the matter. The only study I have in mind the one referred to, which is that a large company can spread its risk.

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. In or out of that tax proposal he has suggested, 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.
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. We are going to get any money out of the oil industry. The illusion was that they were not drilling off their own bill. I have heard the debate go 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 experts available.

Mr. DOUGLAS. If we start the defense argument, every industry comes under the tent. I remember when a very fine colleague of ours in Louisiana was speaking that wooden clothespins were necessary for defense. The defense argument is used on behalf of every industry. However, there is a surplus capacity in the oil field. There are 27 companies, for example, operating 12,000 wells 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 re-introduced 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 worth the effort, to help our 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 operators 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 untouched. Is not that a fact? I ask that question because the Senator from Louisiana, because of his knowledge of the oil industry,

Mr. LONG. Mr. President, may I answer?

Mr. DOUGLAS. Certainly.

Mr. LONG. When do we vote? 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 of the oil obtained from foreign sources is from Texas. If we are not drilling it, 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 sideline shouting he can only introduce his own bill. I have heard the Senator from Louisiana shout about this question for years. Mr. President, do you not think there is an effort 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 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 oil industry is far below 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 that the Senate has just spoken about. 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 leaching the reserves and producing 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 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 peace-time 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 strong economy, 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.

Mr. DOUGLAS. The Senator should remember his own usage 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.

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 Illinois who, I think, first introduced the severance tax on oil in the United States. Frankly, when the Senator from Illinois said, "All credit to Huey Long," I thought he was voicing 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 the credit that they are due. As Americans. I am very glad to pay them tribute.

Mr. LONG. So far as this Senator is concerned, the situation was that the money for oil collected from oil producers was 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

No one has seriously suggested subsidizing the oil industry. It would probably cost $1 billion a year to do that. No one has ever said that kind of nonsense.

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 that steel. The history of this country in war 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 must accept almost any terms he can get to obtain the pipe. That usually means allowing someone else to come in and obtain the leases at a much reduced deal.

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 profit from the depletion allowance. 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 competition with a large number of small producers.

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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 tax the small 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 exact such revenue from the small producers in that State, it was not because we did not try.

Mr. DOUGLAS. The California oil operators do. They have 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 Mace­ doula 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 15% 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. DOUGLAS. The small producer is paying under my amendment because if he has a gross income of less than $1 million a year, the 27 1/2% 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 other States. I 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 big 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 Petroleum Operators. I have 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 can say they 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. If I ask that 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, I will say, 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 are so far in agreement 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 producers. Is that not correct? 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 question which I have been asked. But I have also been asked the question: When Adlai Stevenson was Governor, Illinois 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 is reputed to have used all its political power to defeat a severance tax. I wonder if the government of Illinois or those who advocated such a tax have ever proposed one there.

Mr. DOUGLAS. The Senator from Louisiana would help us elect a Democratic Governor in the State of Illinois. In 1960, possibly we could do a little better.

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Mr. DOUGLAS. 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 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.

The individual landowner would take his oil depletion allowance on that. Since the amount would be less than a million dollars, I get a 27 1/2 percent depletion allowance. So this amendment will not affect the landowner, farmer, leaseholder, or royalty receiver. I think this should be known. But my 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 the 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. The large operator 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 27 1/2 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 $80 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. 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 $2,500 million. It 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 this appeal 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. Absolutely. 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 27 1/2 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 worked 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 that I do not have a definite proof at all—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. PROXMIRE. 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. 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, the outstanding marketing consultant, has 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 5 1/2 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 anybody. I have campaigned for State office five times in the last 6 or 7 years. I find that this is one issue which almost everybody understands, and which 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 $22,090 to Republican candidates in 1958.

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.

The 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 25 largest oil companies had contributed $500 or over to the Senate Republicans, which totalled $345,000.

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 reads speeches of the late Senator Alexander, the Republican national committee for Texas attempted to do recently for a distinguished gentleman from Washington, who, I understand, is head of the Republican national committee for Texas had served the oil industry very well—I think that anyone who considers that whole very bad record and immoral record, and then votes 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 modest, moderate, and fair proposal.

Mr. PROXMIRE. Certainly so.

Mr. DOUGLAS. Because considerable amounts of contributions were made under the covering bills assumed, and various other types of expenditures were assumed or paid.

So, today, the oil industry is what the railroads 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 to print 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, Minioi, N. Dak., independent. A marketer who "integrated backward" into refining and production, Coughlin figures, if depletion were ended—probably—if the depletion provision of the tax code is reduced. Coughlin, 50, is a vice president of Independent Oil Development Co.

"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 first granted 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 value of the land devoted to the production of oil. If the value of the land was nonexistent, 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 to the oil industry 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 in addition to the highly favorable depletion allowance, oil producers argue that the price of oil has increased considerably in the past ten years due partly to depletion allowance. 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 at a current expense. But here is the oil producer's dilemma: I am permitted to engage in producing well, I am permitted by special act of Congress to charge off the same year all the tangible and intangible depletion costs. Intangible costs include seismographic drilling, labor, materials, and equipment—indeed, everything but the pipe, a small amount of pipe, and a pump, if necessary. And these last tangible items can be deducted like other expenses.

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 chargetoff privilege, and in addition is still given a 27½ percent depletion allowance. The value of the chargeoff privilege has been estimated by Congress at almost as great as the depletion allowance itself.

Now let's look at some of the more popular arguments for the proponents of 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 without depletion allowance many 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 there were 11,798 wildcat wells drilled in 1957, of which 1,652 were successful and 10,087 were dry. These are the kinds of figures you hear about, and I don't think I have to dwell on the importance of a successful wildcat.

However, there were 41,668 additional development wells drilled, of which 30,242 were producers. In other words, out of 52,777 wells drilled, we had 32,078 successful wells and 30,701 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 run short of oil. This would seem to be off base to some degree.

For one thing, just about everyone admits that the next war, if there is one, will be a major war in one way or another. Significantly, the Oil Compact Commission, to prorate oil by states through daily allowances, 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 depletions recently in California and other states are being beneficial to national defense. It means we'll be using up our own domestic wells, and that's bad enough. We have obvious social and political reasons—we should keep Middle East oil producers operating and encourage our own oil. That's a reasonable objective.

Still another argument for depletion is that without it, the price of gasoline would increase as much as 3 cents or more.

All the depletion argument falls apart from 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 retail store wouldn't think of passing on the depletion doesn't lower its price by the amount of freight saved. Neither does a business
that cuts costs by being efficient, or a co-operative because it buys at a savings.

Business is not a philanthropy, and any return through the governments or industry taxes is returned to stockholders or used for expansion.

Yet oil, oil, oil, it says it needs these tax privileges to keep an important industry healthy. I say no industry or group grows healthy on subsidies. And by the time the arts and sciences look back on us, perhaps they will believe oil is a monopolistic, non-competitive industry.

from pipelines or tankships, and fast tax cut. Depreciation, based on figures from a recent presidential commission.

What's that 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. Mr. Elliott re-joined Sohio in 1929 in its business research department. He has been vice president for transportations and for marketing and is now again active in American Petroleum Institute.

The job of a marketer is to give service to other people, so far as he can, and work the price he can afford to charge, the better he serves. The lower the price he has to pay for his products, the better he serves.

So why, then, should marketers concern themselves with depletion of crude oil when their interest at best is indirect, their knowledge of the field for the facts at hand are so inadequate, and the effect of any change on them a long way off? The reasons for our interest, therefore, are not the same as the oil industry. But they are important.

Certainly one of the reasons for marketers to be concerned with the depletion of oil is that some members of the fraternity are saying integrated companies subsidize marketing operations with the depletion allowance.

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 above discovery of oil, gas, or minerals, the depletion could thereafter be computed on it. When an oil or gas well was brought in, an enterprising concept of the amount of oil that would be produced was set up on the books, and thereby the oil man became the so-called capital subject to depletion.

Following this first error in 1918, Congress in 1924 granted the oil man a tax deduction—specifically, a graduated reduction to 15 percent.

While true depreciation may be the fair and correct way to measure the cost of a piece of property, it is not the way to reduce the capital investment subject to the Proximire amendment of last year. Briefly stated, the Proximire amendment would: (1) phase out the bonus and interest allowance on all income up to $1 million; (2) reduce the depletion allowance on income above $1 million to 5 percent; (3) reduce the depletion rate to 15 percent on income over $5 million. The drilling chargeoff provision would allow the oil companies to be written down at a rate of 8.5 percent, where the depletion allowance would be written down at 15 percent.

The only competition left in the oil industry is in a few remote places where there are remnants of a once hardy, competitive industry. Obviously, over the life of an oil well or gas well, the depletion allowance might well be 33 1/3 percent instead of 27 1/2 percent in order to recover the capital free of taxes.

But logic goes out the window when we begin to consider the possibility of paying more than the value of the land to the government, and producing it at a profit. The depletion allowance is considerably less. Actually it has been determined to be about 23 percent.

For 33 years this percentage has been 27 1/2 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.

In the case of crude oil, domestic reserves have a value approximately one-third of the market price above ground. Hence it would seem that with a wellhead price of $3 a barrel, the depletion allowance might be increased. The tax law is such that at a barrel, the depletion allowance might well be 33 1/3 percent instead of 27 1/2 percent in order to recover the capital free of taxes.

For what it is worth, the depletion allowance provides a source of income with which to subsidize unprofitable marketing operations. It suggests either that the arguer is missing the relevant facts, or that by opposing the depletion allowance the oil producers and integrated companies, some advantage can be gained.

As to the facts, one need go no further than the studies of C. O. Anderson, chief engineer of the Canadian National Mines, presented at the recent World Power Conference in Montreal. It shows that in the development and drilling into 100 million barrels of crude oil, the cost of finding oil alone-to say nothing of marketing, acquiring refineries and pipelines and eventually crude oil production.

Circumstances since 1955 would tend to increase rather than decrease the deficit of the depletion allowance to cover the cost of finding oil.

It is 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 27 1/2 percent, rather than the average annual of 20 percent, were used, the $7.7 billion value of the crude oil and gas produced, it would have generated only $1.8 billion in一樣 tax, which is 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, including Shell Oil Co., are making millions of dollars profit from marketing, acquiring refineries and pipelines and eventually crude oil production.

Certainly, 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 state-made assumptions that their marketing operations are conducted at a profit and are, therefore, in need of subsidy or depletion allowance or from any other source.

Relating to the fairness of the present depletion allowance, we have studied 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 depleted 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 production would continue to gradually affect all segments of the oil industry, the industries which supply and are supplied by the industry, and, 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 idea that in the future, 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 costs go up tomorrow, but that prices which are 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 investments in the oil business must be adequate to attract capital; that if this fails to be the case, expansion will cease. Prices must cover all costs, including the cost of capital.

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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 as to what will happen depending on the assumptions made, would be on the order of 1½ cent per gallon, or 5 percent.

It may not be idle to speculate what effect such changes would have where heating oil is competing with coal, gas and electricity. Such a change, it is estimated, if added to rising gas prices, last year, for example, the sale of small foreign cars increased, while the price 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 the considered 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 not a precedent.

What we do know is that its impressive accomplishments were achieved with the present depletion allowance uncharged for 35 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 tax revenue received 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. They are doing so, not because they help to contribute to public campaigns, but because they help 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 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 honorable, decent, good, honest, and they will contribute to our campaigns.

But I wish to say that these people 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 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.

Mr. President, I have had a bill introduced, which received only 8 votes in 1951, and on which in subsequent years we could not even get a year-and-a-half vote, nevertheless received 31 votes last year. We have 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. 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 Senator from Illinois. I have had occasion to check the question he raised, and I 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 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 aluminia and aluminum compounds are extracted therefrom), asbestos, bauxite, beryl, celestite, dolomite, diatomaceous earth, fuller's earth, graphite, ilmenite, kyanite, mica, olivine, quartz crystals (radio grade), rutilo, block steatite, talc, and vesuvianite; ores containing lowing metals: antimony, bismuth, cadmium, cobalt, columbium, lead, lithium, magnesium, molybdenum, nickel, platinum, group metals, tantalum, thorium, tin, titanium, tungsten, vanadium, and zinc.

That is all 23 percent.

(3) 15 percent: Ball clay, bentonite, china clay, casserol 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, plant ashes, sodium chloride, and wollastonite.

(5) 5 percent:

(A) Brick and tile clay, gravel, mohawk shales (including clayshells and oyster shells)—

Mr. DOUGLAS. I am very glad the Senator has brought out the fact that clayshells and oyster shells have a depletion allowance.

Mr. STRONG. I continue to read from the list of products having a 5 percent depletion allowance:

Fest, pumice, sand, scoria, shale, and stone, except stone described in paragraph (6); and

(B) Barium carbonate, calcium chloride, and magnesium chloride.

(6) 15 percent: All other minerals (including, but not limited to, aplite, barite, beryl, baros, calcium carbonates, refractory and fire clay, diatomaceous earth, dolomite, feldspar, felders, earth, gilsonite, granite, grout, hematite, kieselguhr, lead, manganese, 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), therenaite, tit, trill, trona, and (if paragraph (2) (B) is not applicable, pupils) graphite, fluor spar, lepidolite, mica, apatite, 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 by the owner or operator, as dimension stone or ornamental stone, as riprap, ballast, road material, rubble, concrete aggregates, or for similar purposes.

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 the biggest 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 relatively small operators in the Oklahoma fields are the ones that receive benefits from this depletion allowance, which are severe penalties, which must have to have only a $415,000 income gross profit.

That is based on the assumption that the $5 million gross will produce 1,685 barrels.$1 million net profit.

The really large companies that get pushed down to a 15 percent, or 12½ percent loss in the gross, therefore, they may be severely penalized, which suffer the great losses, would have to have only a $415,000 income gross profit.

The tendency would be to have more and more splintering, in order to prevent the ownership of any combination of leases which would produce a $415,000 net profit.

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 if oil, at 25 cents a barrel net profit, would give the maximum cut of nearly half the allowance when profits reach $415,000.

I say, Mr. President, this is a meat tax on treatment on a very serious tax problem with some industries. The relation of this country to our national defense cannot be by any means a tax on our industries. The relation of this country to our national defense cannot be flashed through a lens. There is no single essential of national defense which is as essential for the national life 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. But Germany's military program have not been the blessings of natural oil or natural gas which we bomb 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. When we would have been in trouble. I say to the Senator, he is ignoring the facts, the Senator from Wisconsin is as important to those of us of oil-producing States as corn is to the distinguished Senator from Illinois or as anything 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 pointed out 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. Therefore, I fail to see the justice of this depletion allowance, in which many cases have no high risk factors, because there is not much risk in going after coal or bauxite or monzonite stones or sand or gravel or clayshells.

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 cutting back up to a 15 percent. 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 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 would mean a $3,300 barrel of oil. I would be stretching the point that there was a net profit calcium carbonates, refractory and fire clay, diatomaceous earth, dolomite, feldspar, felders, earth, gilsonite, granite, grout, hematite, kieselguhr, lead, manganese, 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), therenaite, tit, trill, trona, and (if paragraph (2) (B) is not applicable, pupils) graphite, fluor spar, lepidolite, mica, apatite, 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 by the owner or operator, as dimension stone or ornamental stone, as riprap, ballast, road material, rubble, concrete aggregates, or for similar purposes.

For purposes of this amendment, 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. 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. The more oil we can produce, the 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.

This is why the 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 finding more oil for the United States. What is that 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 a subject that is compelling. 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.

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 making money 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.

Mr. MONRONEY. The fault, I will say to my distinguished colleague, I feel rests in the high percentage oil-drilling costs, which not only is 10-cent dollar. If the 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. The oil producers are paying 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 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. GORE. Will my good friend yield to me?

Mr. MONRONEY. I am happy to yield.

Mr. GORE. Do you not think my good friend was in the Chamber when I mentioned earlier in the evening that I think the tax reform of the House of ours 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 great arguments against the spending of the savings from the reduction of the super tax 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 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 in business.

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 would under cut the traditional risks our banks take, because it is the depletion allowance which offers the extra security that the banks need to 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, $3 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 would mean a vast tax grab. This money 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 parks, our foreign policy would have been very different.

Mr. MONRONEY. The senior Senator from Illinois calls over development, we would not have been able to give a very necessary helping hand to our friends.

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

Mr. MONRONEY. I yield.

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 ideas to a bill and introduce it. If it is a good bill, I will support it.

Mr. MONRONEY. The amendment the Senator from Wyoming [Mr. O'MAHONEY] has such a bill. The Senator from Texas has a bill, 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 favoritism 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, 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 incorporation 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, although it may 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 taxes themselves are foreign in the ordinary 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 say that in 1945, 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 it was $1 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 $3100 million. That net income still represented only 5.9 percent of their total income. This represented a return on borrowed or invested capital of 11.7 percent. Yet, when we recall that this group of 33 companies had the great advantage over the sea oil, their domestic operations must not have yielded such a great return, even in the ease of the giant companies, because the sea oil 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 favorably with the annual rate of profit for other industries for the same period as follows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicle manufacturers</td>
<td>12.1</td>
<td>13.2</td>
<td>15.2</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>10.7</td>
<td>11.6</td>
<td>11.9</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>11.7</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Instrument manufacturers</td>
<td>10.8</td>
<td>11.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Tobacco manufacturers</td>
<td>12.0</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12.9</td>
<td>12.9</td>
<td>13.0</td>
</tr>
<tr>
<td>Drugs</td>
<td>18.5</td>
<td>18.5</td>
<td>18.5</td>
</tr>
</tbody>
</table>

This is after all the tax deductions—and many of them are deductions in the overseas 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. Gonski) 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

<table>
<thead>
<tr>
<th>[Thousands of dollars]</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net value oil produced</td>
<td>4,862,135</td>
<td>5,401,018</td>
<td>5,854,215</td>
</tr>
<tr>
<td>Net value gas produced</td>
<td>465,451</td>
<td>600,201</td>
<td>656,254</td>
</tr>
<tr>
<td>Total net value production</td>
<td>5,327,586</td>
<td>6,001,219</td>
<td>6,510,469</td>
</tr>
<tr>
<td>Industry expenditures—exploration costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geological, geophysical, and related professional services</td>
<td>196,000</td>
<td>220,500</td>
<td>245,440</td>
</tr>
<tr>
<td>Lease purchase and rentals</td>
<td>621,971</td>
<td>744,000</td>
<td>826,520</td>
</tr>
<tr>
<td>Dry holes costs</td>
<td>608,290</td>
<td>765,900</td>
<td>860,210</td>
</tr>
<tr>
<td>Overhead</td>
<td>196,780</td>
<td>171,270</td>
<td>205,220</td>
</tr>
<tr>
<td>Total exploration costs</td>
<td>1,006,980</td>
<td>1,155,380</td>
<td>1,268,380</td>
</tr>
<tr>
<td>Development costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drilling and completion of producing wells</td>
<td>1,260,000</td>
<td>1,619,007</td>
<td>2,076,725</td>
</tr>
<tr>
<td>Equipment (tubing, tanks, flow valves, etc.)</td>
<td>1,270,000</td>
<td>1,619,007</td>
<td>2,076,725</td>
</tr>
<tr>
<td>Overhead</td>
<td>125,780</td>
<td>156,378</td>
<td>185,640</td>
</tr>
<tr>
<td>Total development costs</td>
<td>1,416,880</td>
<td>1,995,405</td>
<td>2,366,170</td>
</tr>
<tr>
<td>Subtotal, exploration and development costs</td>
<td>5,547,410</td>
<td>4,996,655</td>
<td>5,773,365</td>
</tr>
<tr>
<td>Operating costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil—direct costs</td>
<td>1,374,149</td>
<td>1,592,576</td>
<td>1,946,992</td>
</tr>
<tr>
<td>Oil—overhead</td>
<td>134,260</td>
<td>168,329</td>
<td>197,902</td>
</tr>
<tr>
<td>Total oil operating costs</td>
<td>1,508,409</td>
<td>1,760,895</td>
<td>2,144,894</td>
</tr>
<tr>
<td>Gas—Direct costs</td>
<td>59,950</td>
<td>134,675</td>
<td>143,802</td>
</tr>
<tr>
<td>Gas—Overhead</td>
<td>7,728</td>
<td>9,920</td>
<td>11,587</td>
</tr>
<tr>
<td>Total gas operating costs</td>
<td>97,678</td>
<td>144,595</td>
<td>155,389</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>1,606,278</td>
<td>1,905,490</td>
<td>2,290,283</td>
</tr>
<tr>
<td>Total expenditures for finding, developing, and producing</td>
<td>5,186,458</td>
<td>6,149,692</td>
<td>7,145,258</td>
</tr>
<tr>
<td>Net annual balance</td>
<td>4,176,144</td>
<td>4,244,202</td>
<td>5,005,975</td>
</tr>
</tbody>
</table>

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.


Mr. MONRONEY. This table refers to domestic production. It allows 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 $2,368,380,000. The development costs, including drilling and completion of producing wells, equipment, tubing, tanks, flow valves, and overhead, represented 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 $7,145,800,000. Considering the total net value of production for the year of $6,720 million, we have a deficit of $428,000,000.

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 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 to be 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 less than $88,000 net income, 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 $88,000 a year.

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

Mr. MONRONEY. The able Senator has spoken of stripper wells. I am privileged to represent 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, a new and often hazardous search for oil.

Mr. President, I believe thoroughly that the cogent arguments being presented have buttressed 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 the viewpoint of 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 the period of the subsident 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 losses in the amount of the wealth of the country which could never be recovered, because once the wells are shut down, once water takes over the small wells, the production is gone forever.

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

Mr. MONRONEY. I yield.

Mr. RANDOLPH. Personalties should not enter into a discussion of this type, but I can speak with a special sense 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 more wells than my dad could 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 pioneer, as did the others of 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 this important enterprise. I yield to the discussion.

Mr. President, some 3,750 million additional barrels of oil will be added from these small wells, if we are given the incentive to produce from these wells. Yet 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 I was much disturbed about the great political influence of the oil companies and rather an intimation that votes for the depletion allowance were being used in 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 express that point clearly.

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. This country's political influence of the oil companies is very great in my own State, as I have learned to my sorrow on many a high flight.

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 campaigns in my State, in the past 17 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.

This is 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 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 opposition party and rather an intimation 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 economy of this question as presented by the distinguished Senator from Illinois, but I cannot agree with his conclusions on this question.

I want to put 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 again when we start shutting off oil drilling. The elimination of the depletion allowance will put further restrictions on drilling. The production of oil from the State has declined 2½ percent in the last 5 years. During that same 5-year period, production of oil went up

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in Venezuela 46 percent; in the Middle East, it increased over 52 percent. Because drilling has become unprofitable in many places, drilling for foreign oil imports is now more common. It has meant fewer employment opportunities in Texas.

The man who works on a drilling crew earns about three times as much as a farm laborer for a day's work. The greater portion of the large oil companies are owned in the North and East. The money paid for all the wages of the oil fields was 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 domestic production which is now being cut. It will raise money. It will not hurt the American consumer; it will not raise the price of gasoline. It will put more than $100 million of additional money 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.

The President, at this time I offer my amendment in the nature of a substitute for the amendment of the distinguished Senator from Illinois. In every oil-producing State, 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), 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, etc.) and inserting "3 cents per gallon"; and

(3) by striking out "4 cents per gallon" in paragraph (3) (tax on lubricating oils) and inserting "5 cents per gallon".

Sec. 2. The amendments made by this Act shall apply to articles entered, or withdrawn from warehouse in the United States, 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 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 considered 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 oil. 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. President, will the Senator from Texas yield to me?

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

Mr. YARBOROUGH. I yield.

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

The PRESIDING OFFICER (Mr. Harrick 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 has not made the same case about Saudi Arabian oil, and he might even be correct about Venezuelan oil. But how about Canadian oil? It seems to me that he could not very well make 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 not very well bring an oil by pipeline. But in time of war we might not obtain oil from overseas—as was shown during the last World War. So the Senator from Texas has not made the same case about Iranian oil.
The PRESIDING OFFICER. The pending question is on agreeing to the amendment submitted by the Senator from Texas [Mr. YARBOROUGH] as a substitute for the amendment submitted by the Senator from Illinois [Mr. DOUGLAS].

Mr. DOUGLAS. Precisely so. Mr. President, I yield back all but 5 seconds of that time.

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 distinguished 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 volumes 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 imports 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 2 cents a gallon.

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 being imported on an annual basis. My distinguished colleague from West Virginia [Mr. Bynum] has given valuable leadership in our successful effort to place mandatory controls on this residual oil.

Mr. YARBOROUGH. New Jersey. Mr. President, will the junior Senator from Texas yield to me?

Mr. YARBOROUGH. I yield.

Mr. Williams of New Jersey. Mr. President, will the junior Senator from Texas yield to me?

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 import 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, 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 inclining 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 textile leaders? 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. Moss], submitted as an amendment in the nature of a substitute for the amendment of the Senator from Illinois [Mr. Douglas]. [Putting the question.]

The "nay" appears to have—Mr. YARBOROUGH. Mr. President, I ask for a division.

On a division, the modified amendment to the amendment was rejected.

Mr. DURKSEN. Mr. President, I again suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. DURKSEN. Mr. President, I rise to a point of order.

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

Mr. DURKSEN. 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 had been suggested.

The PRESIDING OFFICER. That is correct; the modified amendment in the nature of a substitute for the Douglas amendment has now 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. DURKSEN. 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. YARBOROUGH. 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 that I 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. Keating], the Senator from Wyoming [Mr. McGee], the Senator from Minnesota [Mr. McCormick], 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. Graveling], and the Senator from Michigan [Mr. McNamaras] 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.

If the vote, the Senator from Alaska [Mr. Graveling] and the Senator from Maine [Mr. Muskie] if present and voting, the Senator from Alaska would vote "yea," and the Senator from Maine 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."

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 Idaho would vote "yea," and the Senator from Minnesota would vote "nay."

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. McNamaras] 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. Capper], 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. McGee] 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 Tennessee [Mr. Carlisle]. If present and voting, the Senator from Vermont would vote "yea" and the Senator from Tennessee would vote "nay."

On this vote, the Senator from Vermont [Mr. McGee] is paired with the Senator from Indiana [Mr. Capper]. 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
Case, N.J.
Clark
Kefauver
Douglas
Evans
Hart
NAYS—54
Allott
Anderson
Burton
Beall
Bartlett
Bates
Bridge
Busch
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Cooper
Costan
Curtis
Curran
Finlen
Foster
Freeman
Dworshek
Gore
Mansfield
YEAS—6
Carroll
Case, N.J.
Clark
Kefauver
Douglas
Evans
Hart
NAYS—1
Allott
Anderson
Burton
Beall
Bartlett
Bates
Bridge
Busch
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Cooper
Costan
Curtis
Curran
Finlen
Foster
Freeman
Dworshek
Gore
Mansfield

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 better 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:

"(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 ‘405’ and inserting in lieu thereof ‘576’;

"(3) by striking out ‘75’ and inserting in lieu thereof ‘60’;

"(4) by striking out ‘55’ and inserting in lieu thereof ‘50’ (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 "$16"; and

(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 paragraphs (a), (b), (c), and (d) of this section shall be

(1) in the case of money payments, under a State plan approved under title II, IV, X, or XIX of the Social Security Act, for months after September 1959; and

(2) in the case of assistance in the form of medical care, under such a plan, with respect to expenditures made after September 1959.

(1) Federal Percentage.—

(a) 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".

(b) Section 1101(a) of the Social Security Act is amended by adding at the end thereof the following new section:

SEC. 3. PAYMENTS TO CERTAIN STATES FOR MEDICAL CARE, AID TO THE BLIND, AND AID TO THE PERMANENTLY AND TOTALLY DISABLED.

(a) Section 3(a)(1)(A), section 1003(a)(1), and section 1403(a)(1) of the Social Security Act are amended by inserting immediately after "$30" in each such section the following: "This amendment shall be effective with respect to the calendar quarters of 1959, and all subsequent calendar quarters." At the end of the bill the following new section:

(b) Section 1101(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(c) The amount per capita income", as used in sections (a)(1)(A), (a)(1), and (a) of the Social Security Act, means the average per capita income of each State or of the United States, except that the per capita income for the three most recent calendar years for which satisfactory data are available from the Department of Commerce shall be used, or the most recent calendar year for which satisfactory data are available from the Department of Commerce if the Department of Commerce has not yet published data for that year.

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 Senate Committee on Finance.

In the Senate Finance Committee the benefits for old age assistance, aid to the blind, aid to the disabled, and aid to dependents of veterans are ahead of the Federal Government in their liberalization in this matter. 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 $300 million.

On the floor of the Senate, Senator Smathers explained that the amendment was proposed 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 bring the cost of the welfare sections 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 on 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 expenditures for the blind would be reduced from $36 to $35 per month. Failure to make this change would penalize the following States: Alabama, Arizona, Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, Utah, Washington, Wisconsin, and Wyoming.

In other words, the majority of States are ahead of the Federal Government in their liberalization 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 almost 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 8,000,000 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: (1) for the aged, the Federal Government at present matches on a 65-35 basis all payments to needy aged, blind, and disabled persons. This amendment would match up to a 70-30 basis. This would benefit approximately two-thirds of the States.

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 change the ratio to 70-30. This would benefit an additional 10 percent of the States.

Third, for dependent children, the Federal Government at present pays up $14 for the first $3 of State contribution. This amendment would increase the Federal share to $19 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 70-30. This would benefit an additional 5 percent of the States.

Fifth, the amendment would increase the top matching figure for aid to dependent children from $30 to $35. 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 addition of this first item, every other item in this amendment was passed by the Senate of Representatives in the House of Representatives 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 Senator Johnson of Texas. Would the Senator agree 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 unanimous consent that there be a time limitation of 30 minutes, to be equally divided between the Senator from Louisiana and the chairman of the committee.

The PRESIDING OFFICER. The time is limited by the Senator from Texas. Is there objection? I hear none.

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 at the close of the 85th 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. Now it is our misfortune that 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, of course, have had the opportunity 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 were not offered, 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, so as 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 some 25 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. We would raise the limit to $75 where the Federal Government matches funds for the needy aged, blind, and disabled. Mr. President, that is more, 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 the needy aged. The large number of States exceed the maximum Federal matching insofar as aid to dependent children is concerned.

The amendment would do exactly what the Senate is already doing to 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 possibility 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 Senate Finance Committee. 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 make any reduction whatever in the State contribution, the States also reduced the amount the Federal Government had to put in.

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 affect 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, and the disabled, and the aged. It would benefit the high income States and the low income States.

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

Mr. LONG. I yield to the distinguished Senator from Nebraska.

Mr. CURTIS. Was that 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 apply the cost would be approximately $100 million.

Mr. CURTIS. That is the additional cost?

Mr. LONG. Yes.

Mr. CURTIS. It would be $150 million in 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 1961 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 an increase 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 amendment 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. I called CARROLL What 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 for the amendment, but I think 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, because California would have been the State most greatly benefited by the amendment. In any event, the amendment lost.

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, it has 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 $85 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 $85 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 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, and we did not wish to override it.

Mr. CARROLL. When did the bill pass the House?

Mr. LONG. I cannot tell the Senator exactly—in May or June last year, I imagine.

Mr. CARROLL. May I put the question specifically and bluntly? If we do not help the aged, unless we take the initiative, 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.

It will not be possible 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 $3/2 billion of revenue. That being the case, I am sure he will sign it.

Mr. CARROLL. Is this not the 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 the House. I speak as a member of the Senate Finance Committee. I serve on that committee, but my impression is that we can do better on the floor with a yeas-and-nays vote than we do in the committee, and it will be reconsidered.

Mr. CARROLL. Let us assume that this body adopts the amendment offered by the distinguished Senator from Louisiana. Even though the House Ways and Means Committee recommended 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 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 Ways and Means Committee, and one of these is that the Senate Committee on Finance. I serve on that committee, but my impression is that we can do better on the floor with a yeas-and-nay vote than we do in the committee, and it will be reconsidered.

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 we were defeated in the Senate, and in the Senate Committee on Finance. 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, we would have been defeated. 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, we would have been defeated.

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In this connection, I believe we must keep in mind the fact that the Federal share of such expenditures has increased to more than 50 per cent in actual basis and as high as 80 per cent 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 Federal share 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 should like to follow the Senator from Virginia. 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 that it has been grossly misinformed. In the release which he has supplied, he states, "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 set by the order of the court.

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 State of Colorado would be harmed.

Mr. LONG. The Senator knows very well that if Colorado wants to adjust its affairs to pass along this extra $8 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 and have expended to keep our programs going. I am happy that I have had a part— and a strong part—in doing that.

If the Senator from Louisiana, is so misinformed as to 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 not willing 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 the aged, we should not 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 any 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 from Colorado.

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 could 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 contemplates. Even if this amendment is adopted, there will still be about half the States who are still doing more for their aged, blind, and disabled persons than the Federal program contemplates.

This is simply a matter of getting the Federal Government more in line 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 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. Some 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 has 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 on agreeing to the amendment of the Senator from Louisiana.

Mr. DINKSEN. 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. DINKSEN. 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. ALLOTT. I thank the Chair.

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.

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. Humphrey], 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. Carl] and the Senator from Alaska [Mr. Gravel] 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 illness.

On this vote, the Senator from Alaska [Mr. Gravel] is paired with the Senator from Indiana [Mr. Muskie]. If present and voting, the Senator from Alaska would vote "aye," 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 Wisconsin [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 "aye."

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. Provost] are absent on official business, attending the ceremonies at the St. Lawrence Seaway.

The Senator from Idaho [Mr. Dworshak] is absent on official business.

The Senator from Wisconsin [Mr. Williams] 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. Gravel].

The motion to lay on the table was agreed to.

Mr. HUMPHREY. I announce that the vote by which my amendments were agreed to. The PRESIDING OFFICER. The motion to lay on the table was agreed to.

Mr. GORE. Mr. President, I ask for order in the Chamber.

The PRESIDENT. The Senate will be in order.

Mr. GORE. Mr. President, I ask for order.

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 S. 324-39-R."

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

The LIVINGSTON CLERK. It is proposed, at the end of the bill, to add a new section, as follows:

SEC. 209(c) (1) of Public Law 657, 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:

"(l) 100 percent of the tax received after June 30, 1959, under section 4061 (tax on transportation, automobiles, parts and accessories, etc.)

"(r) 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 undertake, to deal with this matter in a strictly nonpartisan way. I shall attempt to do so tonight.

On yesterday's 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 identify a sound approach 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 for the 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."

Mr. President, during the next 3 months, 10 States will be unable to award further Federal-aid interstate contracts. These are: California, Connecticut, Florida, Illinois, Minnesota, 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 funds for the highway program by about the end of 1966. These are: Alabama, Georgia, Indiana, Kansas, Maryland, Mississippi, Nevada, New Jersey, Pennsylvania, South Dakota, and Washington.

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 greater than these facts would indicate. Actually a 2-year stoppage of work would have the practical result of paralyzing the entire interstate program. The roadbuilding industry in my State is geared to it.

What is to happen to our 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 follow a program of earmarking the revenue from the excise taxes on automobiles; and (2) to follow a program of earmarking the revenue from the truck and bus excise tax.

Mr. President, 34,000 persons were killed in highway wrecks 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 the United States, it is vital to our home transportation. It is vital to our economy. Such a program is zero for every State, but today we have been able to see the amounts authorized to be appropriated this year to each State for the improvement of our highways, if we are to follow a program of earmarking the excise tax on autos or on trucks and buses.

Mr. President, I have no wish to evade the question at all. The Senator from South Dakota, Mr. SMATHERS, has a point. There is more than one way to meet the problem. What is to happen to our highways? 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 user taxes should pay for the highways. Are not automobiles the greatest users of the highways? Surely a 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 amendment 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 a copy of the amendment was introduced. Mr. President, 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 a copy of the amendment was introduced. 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 introduced 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 appropriated this year to each State for the improvement of our highways, if we are to follow a program of earmarking the excise tax on automobiles; and (2) to follow a program of earmarking the revenue from the truck and bus excise tax.

Mr. President, I have no wish to evade the question at all. The Senator from South Dakota, Mr. SMATHERS, has a point. There is more than one way to meet the problem. What is to happen to our highways? What revenues from the highway user taxes are earmarked for the trust fund.
As for me, I think there are few programs more essential than the highway program. After all, it involves contributions 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 help pay 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 would 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 $864 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 that we 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 $650 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 Senate 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. I would like to see, 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 alone. And this would provide the manufacturer's excise tax, that is, 10 percent on the manufacturer's price of automobiles, trucks, and busses.

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 $275 million, and one billion, 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 Tennessee, 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, and there cannot be, 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 miles which alter are 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 papers, 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; and $10 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 $864 million.

Let us say that we extend this half loaf now. Let us see where we are going in the future. Would such an 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 would provide that $964 million, going in the future.

Mr. CARROLL. I thank the Senator.

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

Mr. GORE. If I should like to yield the floor. I yield 5 minutes to the Senator from Oklahoma. I promised the Senator 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 Senator should realize that this has been a procedure which the Federal Government has 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 States' funds in the administration of the highways. Let me read section 12:

§ 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, 1936, Federal aid for highway construction shall be extended only to those States that use at least the amounts now provided for such purposes in each State from State motor vehicle registration fees, licenses, gasoline taxes, and any Federal excise taxes levied on motor vehicles 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 construction thereof, and such revenues have been, and for no other purpose under such regulations as the Secretary of Agriculture:

Now the Bureau of Public Roads—shall proroguize from time to time to provide, shall 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 increase 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, is 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 Bureau of Roads has 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 will contain, at least the amounts now provided by law for 1960, 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 this fund, and not the entire amount, which 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 5 percent Korean excise today, we would find that the beneficiaries would be of 50 percent of the remaining excise.

Mr. GORE. The Senator is correct.

Mr. RANDOLPH. Mr. President, will the bells ring?

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.

Description. This statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR RANDOLPH

Congress was correct in its 1956 statement that the mobility of the worker through the 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 the nation; and the estimate is that by 1975 we must possess roads adequate to carry 1 trillion vehicle-miles of traffic, 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, and underlies and ended his isolation.

The benefits have not been exhausted. We continue to need better roads in agriculture, and in other ways, such as the public roads capable of carrying farm products longer distances to markets in shorter times.

The significant benefits of mobility must also be considered in the transit of the goods we produce and need to market and to manufacture, which brings us to the point which I desire to make tonight, 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 an instance in particular: Economic readjustment, when many a workingman is forced to join the ranks of the unemployed, is hastened by extending the rule that he can range further in search of a job, and that he can take that new job without neglecting his established home and family. Just as improved roads increase the adjustability of the labor force, giving the worker a wider choice of jobs and opportunities, so also the freeways and expressways expand the volume of necessary movement, and thus the market and the need for its products.

There is an importance attached to this point.

Mr. RANDOLPH. Mr. President, 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 not to add to the argument of the Senator from Tennessee, which is so well put, but to support him in this proposal.

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 override the President on this plan.

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 the proposal. The Senator from Tennessee wants for every dollar that we now spend in the program, to have $340 trillion of gold.

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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 a limit, but on one refuge, 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 $984 million this year, but the difference will be only 56 billion. That will be a hole in the budget, because $964 million is certainly nuclear in my book. Senate, consider that 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 to review the Federal Highway System 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 per cent of the cost of the multibillion dollar highway program, which as suggested by the distinguished junior Senator from Florida (Mr. Gore), 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, manner in which the bill may be made up.

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 say that we have the interstate highway program. We can walk away from the problem, and we can let one segment of the Interstate Highway System exist in one State, and one segment exist in another State, and so on. We can let one State, and another State, and so on. And then, seeing such a patchwork, and there is nothing 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 it come into law as 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 I 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?—to help pay the present 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 the subject. 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 propose that the junior Senator from Oregon has the right to speak to this subject without his consent.

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 submit, 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 inserting after "3 cents a gallon," and inserting in lieu thereof the following: "(2) 4 1/2 cents a gallon, in the case of gasoline so sold before July 1, 1959, or before July 1, 1961, or

(2) by inserting after "3 cents a gallon" in the third sentence of such section (as amended by paragraph (2) of such subsection) "or 2 1/2 cents a gallon, whichever is applicable"; and

(b) by inserting after "1 cent a gallon" in the fourth sentence of such section (as amended by paragraph (2) of such subsection) "or 2 1/2 cents a gallon, whichever is applicable";

(2) Section 4041(b) of such Code (relating to special motor fuels) 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 4 1/2 cents a gallon, in lieu of 3 cents a gallon;" and

(b) by inserting after "3 cents a gallon" in the third sentence of such section (as amended by paragraph (2) of such subsection) "or 2 1/2 cents a gallon, whichever is applicable"; and

(C) by inserting after "1 cent a gallon" in the fourth sentence of such section (as amended by paragraph (2) of such subsection) "or 2 1/2 cents a gallon, whichever is applicable";

(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:

"(d) 1961 FLOOR STOCKS EXPENSES ON GASOLINE. Where before July 1, 1961, gasoline subject to tax pursuant to section 4081(a) of the Internal Revenue Code of 1954 (relating to gasoline subjects to tax) is sold or used for certain nonhighway purposes or by local transit systems is amended—

(2) by inserting after "1 cent" in subsections (a) and (b) (1) "or 2 1/2 cents, whichever is applicable"; and

(h) by inserting after "1 cent" in subparagraphs (H), (I), and (J) "or 2 1/2 cents, whichever is applicable.

It is so ordered.
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 Senator from Oregon have to call 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 Senate will then agree to a conference on this bill.

Mr. JOHNSON of Texas. That is correct; if we are able to complete action on this bill tonight, I shall be able to do so.

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. 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, and in explanation of 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 fuels. This amount would be channeled into the highway trust fund for expenditure in connection with the Federal share of the Interstate 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 ½-cent increase in the motor fuel tax, it will be necessary to channel an additional sum of approximately $3 billion into the fund.

In 1958, Congress suspended, for fiscal years 1959 and 1960, the Byrd amendment limiting apportionment to the States. Without action of this type, the States would not have the additional funds needed to complete Interstate highway construction.

The amounts for these years are as follows:

1. 225 million additional for fiscal year 1959; $400 million for fiscal year 1960; $675 million for fiscal year 1961.

Matching for these categories is as follows: $175 million additional for fiscal year 1957; $660 million for fiscal year 1958; $715 million for fiscal year 1959.

Matching for these categories is as follows: $175 million additional for fiscal year 1957; $660 million for fiscal year 1958; $715 million for fiscal year 1959.

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. authorizing necessary funds through special bills for specific purposes.

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. If the second were used, it would be possible by other means, or by 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 interest costs unless taxes were increased. Similar additional revenue would result from issuance of special bonds or reimbursable advances backed by future trust fund revenue.

For these reasons, a temporary increase in the motor fuels tax seemed advisable. It has been suggested that consideration of a long-range solution of financing the highway program launched in 1956 be delayed until 1961 when Congress will be available to act on the basis of a sound and complete fund.

This would provide Congress with an opportunity to study further financing of the program before it is too late.

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 the allocation of $175 million for the Interstate System and the highway cost allocations study reviewing the distribution of 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 a ½-cent increase in the motor fuel tax be suspended automatically at the end of 2 years.

This would provide Congress with an opportunity to study further financing of the program before it is too late.

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.

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trails, national park roads, trails and parkways, development roads and trails for fiscal years 1958 and 1959. The act also authorized an additional $2 million for forest highways, forest development roads and trails for fiscal years 1958 and 1959 for public lands highways.

Title II of the Federal-Aid Highway Act of 1956, which is designed as the "Highway Revenue Act of 1956" was designed to raise revenue from new and existing highway users to provide federal highway expenditures and to place such revenues in a special highway trust fund. For the 16-year period from 1956 through 1972, it is estimated that receipts to be paid into the trust fund would amount to $3.8 billion. 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 re­quested expenditures from the fund. If the funds remaining in the trust fund, after all other required expenditures from the trust fund and after the payment of interest authorized by the Byrd amendment for the Interstate System resulting from authorized apportionments, the Secretary of Commerce shall reduce the apportionments, if sufficient, to come within funds available.

The Federal-Aid Highway Act of 1958 provided that the apportionments shall be as follows: 1. Increased authorization by $400 million for fiscal year 1959 for the A-B-C roads.
3. Authorized $955 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 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 $27,800 million for fiscal years 1959 and 1960. 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, which limits apportionment, which limits apportionment of such funds to amounts available in the highway trust funds.

In January of 1958 the Secretary of Com­merce transmitted to Congress a report which included estimated costs of completing 38,548 miles of interstate highways. The report also provided information on apportionment factors to be used in apportioning funds among States. With respect to the total apportionment cost of completing the 38,548 miles of the Interstate System is $37,622, of which $53,952 million would be Federal and 25,670 million would be State costs. It is further estimated that the cost to complete the authorized 4,000 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 $6.1 billion.

The following tabulation indicates the condition of the highway trust fund on the first day of fiscal year 1957 and the additional authority enacted in the Highway Act of 1958:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Annual Expenditures</th>
<th>Receipts</th>
<th>Year-end balance</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>$969</td>
<td>$2,915</td>
<td>$2,316</td>
<td></td>
</tr>
<tr>
<td>1958</td>
<td>$2,915</td>
<td>$892</td>
<td>$4,192</td>
<td></td>
</tr>
<tr>
<td>1959</td>
<td>$3,136</td>
<td>$2,459</td>
<td>$4,687</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>$3,136</td>
<td>$2,459</td>
<td>$4,687</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>$3,136</td>
<td>$2,459</td>
<td>$4,687</td>
<td></td>
</tr>
</tbody>
</table>

The President in his budget message recom­mended a temporary increase in the tax on motor fuels, through 1954. In addition, the President has suggested that funds for forest highways, interstate and other roads be financed from the trust fund.

2. Utilize trust fund revenues for the Interstate System and draw on general fund for the interstate program and other programs which had been supported by general fund revenues which cannot be met from trust fund.

3. Utilize certain excise taxes to fund the interstate program.

4. Suspend the Byrd amendment during a period from 1961 to 1963 and finance the anticipated deficit in the trust fund through a 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. Appropriation would be used for the continuation of the 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 1973; that the ABC program is increased $112 million for fiscal year 1957; that an apportionment of $925 million would be made by fiscal year 1962, which would amount to $16,722 million from 1958 through 1972; and that there would be sufficient funds to carry forward at the end of this period, the data thus becomes:

Spend additional $1.25 billion from the Federal Highway Trust Fund and in 1958 (or other years) there would result a total deficit of Federal cost of $14.25 billion. When this is compared with an estimated revenue to the trust fund of $38.915 billion during the period 1958-1972, there results a deficit of $14.25 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.
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 adding the Federal contribution to the highway program can be kept within its original 13-year period. There has been some thought in my mind that perhaps a portion of the Federal contribution could be offset by the allocation of excise taxes on the purchase of new automobiles to the highway trust funds relative to the Federal share, as is now the case. After all, the payment of the excise tax on automobiles is a tax against the user at the source. If this is the case, some funds 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 staunch supporter of the Federal Government, particularly with regard to 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—Bills Congress will consider—GOVERNORS—10 STATES FACING TROUBLE

(From Richard E. Mooney)

WASHINGTON, June 24.—The administration tried to prod Congress into action today on the President's $1-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 present logjam of legislation. Fifteen will have to do just that by the end of the year, it said, and 11 by mid-1960.

The problem is an impending deficit in the special fund that finances the 41,000-mile program. The fund, with money from taxes on gasoline and other highway-use items, has been used for 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 a bill that would raise the tax, and Senator Hill, chairman of the conference committee, has said that 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 would mean that 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 1-cent increase in the tax.

PROGRAM WOULD GO ON

Even if there is no new legislation this year—that congressional action or inaction is possible — a bill 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—$3,500 million in this case. A State would have to stop work when it ran out of the authority it had received in previous apportionments.

President Eisenhower's 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. Talamy, administrator of the program, polled State highway administrations across the nation to get their views on what would happen 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 would hold off on large projects, totaling more than $50 million, pending a decision on apportionment.

Vermont said "any stoppage of program will have to be made now to rebuild our highway department organization." The others were Florida, Illinois, Michigan, Pennsylvania, South Dakota, and Wisconsin.

[From the Oregonian (of Portland, Ore.), 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 is a difficult choice the Federal lawmakers must make soon.

Congress can let things slide and take the blame for holding up the Interstate Highway System building program in fiscal 1961 and 1962. In some States, the need for an increase in the Highway fund 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 1936 in preference to the President's long-term bonding proposals. 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 and highway trust fund. But this also would involve deficit financing, as the President pointed out in his message, because money gained by this would be lost to the general fund and would have to be made up there in some manner.

Lastly, Congress can let 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 it would violate the philosophy of the high State and Federal gas taxes—in Oregon almost a third of the cost of a gallon of gasoline represents taxes.

If the Federal tax is to be kept at 3 cents per gallon, more than 50 per cent might be political dynamite.

The highway construction dilemma results from Congress' original thought that the big highway building 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 1958.
This met with a cold shoulder in Congress and was later dropped, fearing overspending and deficits. Congress did not act at all that year, but in 1956 it authorized the huge program, to be financed on a pay-as-you-go basis with increases in gasoline, fuel oil, and tire taxes.

These revenues went into a highway trust fund, which finally, last year, after much wrangling, the Federal Highway Act of 1956 was signed into law. The act created a Highway Construction Act that specified that the Government could spend no more money than it took in that year. No spending against future earnings was allowed.

And so an incident that began as a temporary Federal gasoline tax, the prime source of this fund, proved to be far higher than anticipated. Revenue came in that year. No spending against future earnings was allowed.

The President, by an incident of enormous stimulant, Congress set aside this pay-as-you-go provision to provide greater spending in fiscal 1959. It was an idea which was seen in 1959 as 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 this trust fund, by another 1½ cents a gallon until 1965. The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965.

The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965. The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965. The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965. The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965. The American Petroleum Institute wants to transfer into the interstate highway fund the prime source of its trust fund, increased by 1½ cents a gallon until 1965.

The President’s proposal has not been well received in Congress. Senate Republican leaders have opposed the increase. 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 1½ cents a gallon in the State gasoline tax. (The latter was increased to 4½ cents a gallon.) This Journal has swayed toward 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 almost 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 have the roads, we are bound to pay for them.

Senator Neuberger has pointed out, except for the Federal Government to contribute 90 percent of the costs. If pay-as-you-go was a pay-as-you-go principle, then it was an economic and social experiment.

The pay-as-you-go principle was forgotten, the $40 billion that the existing trust fund will eventually raise would still not pay for both the superhighways and the ABC system.

President Eisenhower certainly is right that unless we budget the Federal gasoline tax in fiscal 1960, highways, pavement, and sewers will be made of concrete and brick. The dollar fund will again exceed expenses.

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 out of the money market. The government may be able to use inflationary means 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.
Mr. NEUBERGER. Mr. President, may we have order? I shall not proceed until there is order. I have yielded myself 4 minutes.

The PRESIDING OFFICER. The Senate will be in order.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the time limit be extended 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.

But 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 the 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 from 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 fields of human 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 instance the Senator from California has made a very good suggestion 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 partisan blinding 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 the shadows 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 $694 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 hard-headed 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. 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 next 2 years.

I shall support the Senator's amendment.

Mr. NEUBERGER. I thank the 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 next 2 years.

I shall support the Senator's amendment.

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 next 2 years.

I shall support the Senator's amendment.

Mr. NEUBERGER. I thank the Senator from Delaware.

Mr. President, in March, I first introduced this substitute amendment, which 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 remind the Senator from Oregon that I have three times voted available to the Senate. The Senator now 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 purposes other than 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
The PRESIDING OFFICER. The President will come to the chair.

Mr. DIREKSEN. I yield back the time remaining to me.

The PRESIDING OFFICER. The President will now take the Presiding Offic
Mr. President, I shall not reply to the personal references which have been made, except with which 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 now too late to stop 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 highway program is developed to an apportionment that the highway construction program involves three steps. I hand to the Senator from Idaho [Mr. CHAVEZ], the Senator from Alaska [Mr. GREYBLUEN], and the Senator from Michigan [Mr. McNAMARA] are absent on official business. I offer it now for the record.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GREYBLUEN], and the Senator from Michigan [Mr. McNAMARA] are absent on official business. I announce that the Senator from Idaho [Mr. CHAVEZ] 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 Vermont [Mr. CAPEHART], 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] is absent because of illness.

On the vote, the Senator from Alaska [Mr. GREYBLUEN], the Senator from Minnesota [Mr. HUMPHREY] is paired with the Senator from Idaho [Mr. MUSKIE] and will be stated.

The Senator from Wisconsin [Mr. WYNN] is paired with the Senator from Idaho [Mr. MUSKIE] and will be stated.

So Mr. Gore's amendment, as modified, was rejected.

Mr. DURKSEN. 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 Senate 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);"
Mr. BYRD of Virginia. Mr. President, I yield back the remainder of my time.

Mr. HART of Michigan. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on the amendment, and the third time, on condition that the minority back the remainder of my time.

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. AIKEN. 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. Morse], and the Senator from Montana [Mr. Murray] are absent on official business.

The Senate from Idaho [Mr. CHURCH], the Senate 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. Mansfield] are absent on official business as members of the U.S. delegation to parliamentary conferences in Canada.

The Senator from New Mexico [Mr. Chavez], the Senator from Alaska [Mr. Grunne], 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 Florida [Mr. Holland], the Senator from Minnesota [Mr. Humphrey], the Senator from Oregon [Mr. Morse], the Senator from South Dakota [Mr. Case], the Senator from Montana [Mr. Murray], the Senator from Maine [Mr. Muskie], and the Senator from Wyoming [Mr. O'Mahoney] would each cast his vote in the affirmative.

Mr. KUCHEL. I announce that the Senator from Vermont [Mr. Allen], 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. Prouoty] 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. Willey] is detained on official business.

If present and voting, the Senator from Vermont [Mr. Allen], 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. Prouoty] would each vote "yea."

The result was announced—yeas 79, nays 0, as follows:

YEAS—79

Allott
Anderson
Bartlett
Beall
Bennett
Bible
Bridges
Bunsh
Butler
Byrd, Va.
Byrd, W. Va.
Cannon
Carroll
Curtis
Dodd
Douglas
Eldredg
Engle
Farnol
Fears
Ford
Furibright
NAYS—0

Mr. BYRD of Virginia. Mr. President, I also ask that the bill be printed, showing the Senate amendments.

Mr. AIKEN of Montana. Mr. President, I ask that the bill be ordered to be printed, showing the Senate amendments.

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. 901, the so-called tobacco bill, and the other on S. 1668, 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. 901, "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 reduced by 25 percent of parity—in the first year, for example, at 88 percent for flue-cured tobacco and at 87 percent for burley. Supporting tobacoo prices as provided in S. 901, 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.

To the contrary, however, are fundamental and far reaching. The bill takes a long step backward by resurrecting...
The proposed legislation embodied in H.R. 7246 is stopgap. It is not realistic. It is not in the interest of the wheat farmers of America. The bill disregards the facts of modern agriculture. The history of acreage controls is replete with examples 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 price needed to be present to prevent further losses. It certainly would not regain any lost markets, because the level of price supports it requires would still be too high. Below is the emmets 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 solve the problems of tobacco farmers—legislation such as that recommended in my special message of January 29, 1959.

DWIGHT D. EISENHOWER

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 ordered, 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 Adjustment Act of 1938, as amended, the Agricultural Adjustment Act of 1949, as amended, the Agricultural Adjustment Act of 1954, 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 28th I appeared before 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 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?

The Chair, 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 an 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 past week.

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

Mr. HENNINGS. I yield.

Mr. ELLENDER. 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 the report and the explanation of the resolution.

By unanimous consent, the resolution was 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, and the itemization of all obligations paid, the total amounts paid, the obligating activities, and the authorities under which the obligations were incurred. This report is automatically printed in the month of January and contains a complete record of all vouchers processed by the Senate in the fiscal year beginning with the quarter commencing on January 1, 1959.

These reports are available within 7 months of the end 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 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, 1960.

Mr. HAYDEN. Mr. President, will the President 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 so that the reports paid to each person 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.

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 to the employees, were available all the time. 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. 190] was agreed to, as follows:

Resolved, (a) That the Secretary of the Senate shall set forth in his statement of receipts and expenditures 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 names, titles, 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 appearing in such reports. Each quarterly report 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 the 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.

I wholeheartedly support the bill for only two reasons:

1. I am convinced from the showing made by the fiscal authorities of the Government that a limitation of $285 billion is inadequate 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 must go into 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 debt limit by $420 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 continuous inflation.

We have reached the point of serious reluctance to invest in the bonds of the United States Government.

The fiscal situation deteriorated faster in the past 18 months than in any comparable period in my knowledge.

In 6 months we moved from estimates of virtually balanced budgets in fiscal years 1954-55, $25 billion and $26 billion, respectively.

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 $460 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 are for defense 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 taxes 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 46 cents by the 1939 index.

Inflation destroys fixed incomes, provides investment opportunities, promotes sound financial, 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 United States 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 susceptible of epidemic spread and local governments. It has permeated our whole economy. It has dangerously weakened our foreign and local governments.

Total public expenditures in this country—Federal, State, and local—this year will reach nearly $130 billion.

Federal, State and local governments this year will take $130 billion or more out of the pockets of American taxpayers in revenue receipts and expenditures.

In their annual budgets Federal, State, and local governments this year will run deficits totaling up 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 when they refuse to go on.

I conceive of one additional 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 a continuing budget surplus.

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 economy 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.

In the past, we looked to industry, business and labor, etc., we were 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 outstanding 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 requirements 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 recognition of the elimination of all 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 $295 billion. The new Federal debt limit from $288 billion to $295 billion.

Since there was no yea-and-nay vote on the bill, I wish to record 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 today 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 for the information of the Senate by Mr. J. William C. Clark. 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 that the Senate proceed to consider the bill which had been reported from the Committee on Armed Services with an amendment.
1. The United States is in by far the greatest peril of its history.

2. The Communist leaders of Russia are planning to dominate the whole world, including the United States.

3. That the struggle in which we are now engaged is a struggle of life and death, which will decide the history of the world for the next few hundred years.

4. That the United States is a strong competitor.

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 be prepared to carry on a struggle — either a military or an economic struggle — to carry on a struggle — either a military or an economic struggle.

9. That the United States is likely to be 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 their five-year economic development plan. This plan, known as the Five-Year Plan, is aimed at increasing the country's industrial capacity by 50 percent in the next five years. The plan is designed to increase the country's production of steel, coal, and electricity, among other things. The plan also calls for the construction of new industries, such as the construction of new steel mills, new power plants, and new factories.

The Soviet Union is also making progress in the field of international trade. The country is increasing its exports of steel, coal, and electricity, among other things. The plan is designed to increase the country's production of steel, coal, and electricity, among other things. The plan also calls for the construction of new industries, such as the construction of new steel mills, new power plants, and new factories.

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flattered to receive the invitation to be your commencement speaker. I am a name to lure all Virginia males whether he be a romantic from a nearby college, an

odder fostering nostalgic memories of his Sweet Briar product, or just the customary run-of-the-mine Virginian who even though he knows he is in the environs of 

his own parental greatness. But I am sure you will all agree that he can at least claim this social and intellectual enrichment of his State.

In this mood it may appear somewhat insatiable for me to bring a subject deeply concerned with the hard titles that confront us. 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 life you are entering today. It is, then, perhaps appropriate to recall what Charles Dickens, in what is perhaps one of his most quoted passages, said a period almost 300 years ago: "It was the best of times, it was the worst of times, it was the age of reason, it was the age of foolishness: * * * it was the season of light and darkness, it was the spring of hope, it was the winter of des．truction, it was the year of world and nothing before us." It was, he concluded, a period very like the one in which he was then living.

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 blackestiments, I cannot help believing that immense changes are occurring which may well alter the whole atmosphere or, if that is avoided, the world in which we live may be deprived of the world and the freedom. We learned that events in one part of the world are entering today as graduates.

The unhappy paradox of this happy day is that global peace and our own security interests and objectives. The economies range from the great industrial, mercantile complex of Japan to the harsh reality of Southeast Asia. Eight out of twelve 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 economic and political instability, shortage of investment capital, shortage of technical personnel of all kinds, shortage of educational facilities, deep resentment of Western colonialism, social unrest and rising aspirations for a place in the sun and a better life for its present poverty and in some instances, with and overriding all of its problems are the aggressions, infiltrations, and subversion of the International Communists.

Since 1950, the difference in basic China policy between former President Truman and President Eisenhower is the difference between Roosevelt and Eisenhower.

In early 1950, following the Communist takeover of the mainland in December 1949, China, the President Truman vetoed the recommendation made to him that we recognize Red China. The Republic attack on the Republic of China, which was not on basic China policy as it then was, but rather on what was alleged to have been the vacuum of leadership which had helped to create the Frankenstein monster of Red

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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. I move that the Senate confirm Mr. Hays. 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. I have had 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 it 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 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.

The_max ex of 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 Fannell, members of the faculty, graduates of the class of 1959, distinguished guest, ladies, and gentlemen, I was very
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 by overwhelming majorities of 88 to 1 and of 86 to 0 in the Senate. Not a single Congressman or Senator of either party was willing to vote against the resolution. This is a phenomenon unprecedented in American political history. When the parties later assembled, 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 the Republican position. To repeat, the differences of opinion about China policy do not represent differences between political parties. They rather represent differences between individuals, irrespective of party lines.

Here is a passage from a 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 propagandists and distortions. The Communists will always see to it that this is so. It is entangled by the unwritten participation by high-ranking American officials in the subtle propaganda and misinformation to which the public is subjected. It is entangled by our early failures to recognize the origin, nature, direction, and control of the Communist tangle, a tangle that is not only a tangle of infiltration and subversion in the countries where they reside.

No one can say that representation is being denied to 500 million mainland Chinese. The fanatical Marxists of Peking come no closer to this end 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 Red regime was imposed by force with the volition of only an infinitesimal fraction of the Chinese people. Today, after peace and prosperity have been offered the people of Taiwan, there is an overwhelming majority of people there who are ready to accept the regime. It has kept itself in power by bloody purges and the liquidation of some 18 million of mainland Chinese. It has established a regime of representativeness 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 out of parcel of the apparatus of the International Communist conspiracy to entangle China and the world.

Back in the 1940s, when the Chinese Communists were being reported by some observers as not being a Communist party, we are 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's tactics. When there were rumblings of revolt in eastern Europe, he sent" a communication to Moscow's wavering satellites into unity "under the leadership of Moscow." Despite the price it has paid in Asia, and the price it has claimed vis-a-vis approval of Moscow's bloody suppression of the Hungarian revolt. It publicly applauded the execution of Nagy, who denounced Moscow for demanding something 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 of 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 promoting its objectives, or which would betray the hopes of those having the will and the courage to resist it.

The related campaign being carried on in this country is a campaign to secure the recognition of Red China by the United States and the admission of that regime to the United Nations. This campaign is organized, well-financed and quietly but very subtly directed. It is concentrating upon church, academic, and business circles keeping well informed that these groups are pivotal factors in the moulding of public
opinion. You will hear much about these questions in the coming months. And so this is my first question. And 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 been a major test of the diplomatic recognition of the United States in the world. The test is whether the act of recognition would be in the interests of the United States. The United States has always viewed the diplomatic recognition of Red China as a major test of 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 nations 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 millions of dollars before it would issue exit visas for the personnel carrying these properties. It threw everybody out of business, including many of our own, and subjected many of them to inhuman tortures. It has dragged itself into Korean and China armistice agreements. It has failed to live up to its commitment, reached after long negotiation and publicly announced on September 10, 1955, to release expeditiously all American citizens imprisoned in China. Five were still held at the time of this conference. If any of you are inclined to say that if we can tolerate the broken agreements of the past, we can be sure that a peace-loving nation. Those advocating membership for Peiping are not demanding that Red China should recognize the United Nations, 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 and hear that a man sitting in a desk in the White House, with no voice in the making of the laws of this country, has power to protect our interests in the United States. It is a policy of fight-fight, stop-stop. This is no trick but a deterrent. It's a policy of fight-fight, stop-stop. This is no trick but a deterrent.

By no stretch of interpretation of the United Nations Charter, could Red China qualify as a government entitled to recognition by the United Nations. The record of Red China is not that of peace or of cooperation. It is a record of violation of international obligations. What is the record of Peiping in this respect?

Since the days of Jefferson, diplomatic recognition involves not only de facto control of territory but also the ability to perform the obligations of international agreements. The charter further provides for the expulsion of members who violate it. The only exceptions to this provision are membership of the Security Council—England, France, China, Russia, and the United States—which can veto the expulsion of other members of the Security Council. The charter provides that theро government of a country commits a breach of international obligations. What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect?

You will remember when the United Nations was organized in 1945, it was exhaustively debated whether membership should be by universal suffrage or whether there should be qualifications for membership. It was decided that as the primary purpose of membership was for the purpose of preserving the peace of the world, universality was not the test. The charter finally adopted states 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 membership of the Security Council—England, France, China, Russia, and the United States—which can veto the expulsion of other members of the Security Council. The charter provides that theро government of a country commits a breach of international obligations. What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect? What is the record of Peiping in this respect?
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 agreement over the weekend, we shall call up the other appropriation bills.

If there may be some yea-and-nay votes.

AUTHORIZATION TO FILE CONFERENCE REPORTS DURING ADJOURNMENT OF THE SENATE

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the bill be reported favorably, with amendments, the bill (S. 2280) to authorize certain construction at military installations, and for other purposes. I submit a report (No. 435) 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. STENNIS. Mr. President, from the Committee on Interstate and Foreign Commerce, I report an original bill to authorize certain construction at military installations, and for other purposes, and I submit a report (No. 435) 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.

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 follows:

By Mr. KENNEDY:
S. 2779. 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.

By Mr. SALTONSTALL:
S. 2231. 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.

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. SITKOFF) 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.

LIMITATION ON POWER OF STATES TO IMPOSE INCOME TAXES ON CERTAIN BUSINESS ENTITIES

Mr. SALTONSTALL. Mr. President, I introduce, for appropriate reference, a bill which I hope will preserve the rights of multiple taxation, and at the same time will protect the Nation's business enterprises and their commerce from undue burdens of multiple taxation, and unemployment taxes, the income of enterprises carrying on operations in the United States, and for other purposes; placed on the calendar.

Our Founding Fathers created the United States of America as a free-trade nation, and they would have wanted 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 Felix 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 for a constitutional amendment. I think this is plainly so.

The Vice President declared the Senate adjourned.

How shall we act? This is the only question that remains for us to decide.

I believe that much informed opinion has been crystallized in the bill contained in my bill. I believe this is a practical bill. It would be fair to the States because it would preserve for the most of the people the tax they now receive 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 requirement. 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.

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 received by the Senator from Massachusetts.

The bill (S. 2381) to prescribe limitations on the power of the States to impose income taxes on business entities engaged in interstate commerce, and to provide for this change in dress a big painting job is done twice a year. Spring painting and other allied work is all done twice a year by the firm of Mr. Fiedler.

imposing any income tax on an out-of-State business establishment that 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 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 retroactive as well as for the future by barring any State from assessing or collecting any tax imposed 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 of the Boston Pops Orchestra.

Whereas the Boston Pops Orchestra has traveled across the country and the 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 music 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 the reputation in 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 musical 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 Arthur Fiedler has led over two thousand concerts in this country and abroad heard by audiences of many millions; now, 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 30th 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 the commercial, 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 Orchestra has made the city, and recordings by the Boston Pops have sold widely. The tours and the disks have made the music familiar. But to get the full pleasure of music to millions more by means of radio, television, and sound recordings.

The very hall has altered its appearance from that of a normal concert hall. 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 assorted ranks have been removed and replaced by tables and chairs.

TODAY’S AUDIENCE

The Pops gesture 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.

Ambiance 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 at 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 can afford champagne. You can order a 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 marches, sentimental tunes, rousing concertos and even tunes from Broadway and Hollywood and Tin Pan Alley are in favor.

VARIETY PROGRAM

On a recent Saturday night the program began with the Wedding March from Rimbey's "Ave Maria" and Rachmaninoff'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, "A Time for Everything" and the tete-a-tete by AlfredBronson and Souza'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 waiters 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 stipped, laughed, munched, or smoked during the performances. Most of them were quiet, though a few bustled 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 fortissimo of the orchestra the shriller became the voices of these persons. The moment the music stopped they, too, subsided into tranquility.

This group, however, was exceptional. One would guess that it was fairly new to the Pops and they sprang to the defense 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 20th 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 lock down his nose at Broadway melodies. After an exciting melody devoted to a superficial tune seems to be a serious concertgoer like a majestic mountain straining at a goal, that is not how the Pops customarily oper.

MUSICAL CONTRIBUTION

The Pops make a musical contribution beyond giving the instrumentalists 2 months of additional employment. They play to packed houses and the packed house audience, largely youthful, that does not patronize winter concerts. They accentuate these house 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 impossible to date 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, there are numerous attempts 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 theater on the main floor will be removable, and presumably a catering service will be available. Let the Philharmonic supply the music of any kind. The people in the city will see to it that the women are on hand to complete a glorious 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, reappointed.

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 food source that can serve as a complete food. Milk has been called one of nature's "wholes" by noted authorities on nutrition. Milk contains all of the known essential food nutrients. Some of these are present in greater amount than others but all are present in significant amounts. It can be said that milk is a complete food.

While in the minds of many people the production of other industries tends to be an index of our national wealth, it is true that the dairy industry is an important part of the farm product industry. It is a large industry. The United States is a major producer of dairy products and exports milk and milk products to many foreign countries. In 1954, the United States exported $434 million worth of milk and other dairy products, a figure that has remained strong and that we will always be assured of an adequate supply of good wholesome milk and its products.